RAYMOND MHLABA LOCAL MUNICIPALITY

EC 129

ANNUAL FINANCIAL STATEMENTS

30 JUNE 2020

RAYMOND MHLABA LOCAL MUNICIPALITY

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RAYMOND MHLABA LOCAL MUNICIPALITY

GENERAL INFORMATION

NATURE OF BUSINESS

Raymond Mhlaba Local Municipality (EC129) performs the functions as set out in the Constitution.

LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998). The municipality provides functions as included in Schedule 4B and Schedule 5B of the Constitution. It should however be noted that the Water and Sanitation function, which is generally allocated to Category B municipalities, are performed by the District Municipality.

The Minister of Co-operative Governance and Traditional Affairs has requested the Municipal Demarcation Board to re-determine the boundaries of Nkonkobe and Nxuba Municipalities as per section 122 of the Local Government Municipal Demarcation Board.

The Raymond Mhlaba Local Municipality was subsequently established by the amalgamation of Nkonkobe Local Municipality and Nxuba Local Municipality. Operations in the Raymond Mhlaba Local Municipality commenced on 6 August 2016.

JURISDICTION

The Raymond Mhlaba Local Municipality includes the following areas:

Alice	Hogsback	Adelaide	Katberg
Middledrift	Seymour	Bedford	
Fort Beaufort	Balfour	Healdtown	

MEMBERS OF THE COUNCIL

Position	Councillor	Ward / Additional Portfolio
Mayor	Bandile Ketelo	PR Councillor
Speaker	Anele Ntsangani	PR Councillor
Chief Whip	Lindelwa Doris Penisi	Ward 20
Councillor	Zukisa Kenneth Qaqawe	Ward 1
Councillor	M Matayo	Ward 2
Councillor	N Sango-Blackie	Ward 3
Councillor	Xolani Dyantyi	Ward 4
Councillor	Nandipha Colleen Guzi	Ward 5
Councillor	Singilizwe Alfred Nivi	Ward 6
Councillor	Luyolo Lennox Kiswa	Ward 7
Councillor	Elten Bantam	Ward 8
Councillor	Xola Bethwell Jezile	Ward 9
Councillor	Mlumgiseleli Lookington Ndongeni	Ward 10
Councillor	Ntombomzi Klaas	Ward 11
Councillor	Selinah Mkwayimba	Ward 12

RAYMOND MHLABA LOCAL MUNICIPALITY

GENERAL INFORMATION

MEMBERS OF THE COUNCIL (CONTINUED)

Position	Councillor	Ward / Additional Portfolio
Councillor	Zukiswa Mpendu	Ward 13
Councillor	Songezo Mashengqana	Ward 14
Councillor	Thozama Ngaye	Ward 15
Councillor	Millicent Nonkoliseko Qawu	Ward 17
Councillor	Thobeka Priscilla Mjo	Ward 18
Councillor	Zamikhaya Lunga Papu	Ward 19
Councillor	Frans Christian	Ward 22
Councillor	Mhlobo Douglas Dywili	Ward 23
Councillor	Xolile Caswell Badi	Ward 16 / Portfolio Head: Corporate Service
Councillor	Sinethemba Mjakuca	Ward 21 / Portfolio Head: Engineering
Councillor	Mandla Johnson Makeleni	Portfolio Head: Finance
Councillor	Pasika Jack	Portfolio Head: Community Service
Councillor	Sinovuyo Kley	Portfolio Head: Sports, Arts and Culture
Councillor	Portia Sabane	Portfolio Head: Strategic Planning & LED
Councillor	Bukelwa Sharon Tyhali	MPAC Chairperson
Councillor	Ernst Lombard	EXCO (PR Councillor)
Councillor	Siphiwo Mavuso	EXCO (PR Councillor)
Councillor	Zingiswa Modelia Rasmeni	PR Councillor
Councillor	Nomonde Mavis Geza	PR Councillor
Councillor	Vuyiswa Ndevu	PR Councillor
Councillor	Nombuyiselo Agreenette Metusa	PR Councillor
Councillor	Nobesutu Makhenyane	PR Councillor
Councillor	Nomthetheleli Vece	PR Councillor
Councillor	Kayalethu Baliso	PR Councillor
Councillor	Cecilia Anne Auld	PR Councillor
Councillor	Sivuyile Mahlengele	PR Councillor
Councillor	Buyiswa Eunice Mfondini	PR Councillor
Councillor	Malixole Ncume	PR Councillor
Councillor	Nonkazimlo Primrose Mlamla	PR Councillor

MUNICIPAL MANAGER

Ms Unathi Malinzi

ACTING CHIEF FINANCIAL OFFICER

Ms Ngcwelekazi Smith

RAYMOND MHLABA LOCAL MUNICIPALITY

GENERAL INFORMATION

REGISTERED OFFICE

8 Somerset Street, Fort Beaufort, 5720

POSTAL ADDRESS

PO Box 36, Fort Beaufort, 5720

AUDITORS

Office of the Auditor General (EC)

PRIMARY BANKER

ABSA Bank

PANEL OF ATTORNEYS

Lionel Trichardt & Associates
A A Solwandle Attorneys Inc.
NT Vuba Incorporated
Smith Tabata Attorneys
Siya Cockile Inc.
Kirchmanns Inc.
Gravett Schoeman Inc.
Ntsiki-Pakade Attorneys

RELEVANT LEGISLATION

Municipal Finance Management Act
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act
Municipal Systems Act
Municipal Planning and Performance Management Regulations
Water Services Act
Housing Act
Municipal Property Rates Act
Electricity Act
Skills Development Levies Act
Employment Equity Act
Unemployment Insurance Act
Basic Conditions of Employment Act
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations
Municipal Budget and Reporting Regulations
mSCOA Regulations
Municipal Cost Containment Regulations, 2019

RAYMOND MHLABA LOCAL MUNICIPALITY

APPROVAL OF FINANCIAL STATEMENTS

APPROVAL OF ACCOUNTING OFFICER

I am responsible for the preparation of these financial statements for the year ended 30 June 2020, which are set out on pages 1 to 112 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2021 and I am satisfied that despite the current financial status, the Municipality can continue in operational existence for the foreseeable future.

Significant measures are currently being put in place to ensure improved revenue collection, revenue enhancement and finally cashflow.

The users should also take note of the financial sustainability matters adressed in note 57 of the financial statements.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

As per Government Gazette no. 43582 dated 5th August 2020, National Treasury has granted municipalities and municipal entities a two-month extension regarding the submission of AFS. The municipality has taken advantage of this exemption.

Ms Unathi Malinzi
Municipal Manager

30-10-2020
Date

RAYMOND MHLABA LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2020

	Notes	30 JUNE 2020 R (Actual)	30 JUNE 2019 R (Restated)
ASSETS			
Current Assets		**91 527 883**	**67 234 907**
Cash and Cash Equivalents	**2**	16 527 353	10 041 076
Receivables from exchange transactions	**3**	22 083 958	18 418 759
Receivables from non-exchange transactions	**4**	30 690 768	22 542 234
VAT Receivable	**5**	22 225 804	16 232 837
Operating Lease Assets	**6**	-	-
Non-Current Assets		**755 346 376**	**719 998 291**
Investment Property	**7**	83 745 433	80 561 833
Property, Plant and Equipment	**8.1**	657 362 791	624 657 591
Property, Plant and Equipment - Capitalised Restoration Cost	**8.2**	14 168 152	14 708 867
Heritage Assets	**9**	70 000	70 000
Intangible Assets	**10**	-	-
Total Assets		**846 874 259**	**787 233 197**
Current Liabilities		**351 394 539**	**270 393 389**
Current Portion of Long-term Liabilities	**11**	1 566 878	2 227 808
Consumer Deposits	**12**	2 473 837	2 379 437
Payables from exchange transactions	**13**	311 186 668	237 682 920
Unspent Conditional Government Grants	**14**	3 368 000	2 732 961
Current Employee benefits	**15**	21 755 777	14 764 387
Provisions	**16**	11 043 379	10 605 876
Non-Current Liabilities		**67 667 634**	**68 559 037**
Long-term Liabilities	**11**	4 583 214	6 150 092
Employee benefits	**17**	29 089 000	30 276 257
Non-Current Provisions	**18**	33 995 420	32 132 688
Total Liabilities		**419 062 173**	**338 952 426**
NET ASSETS		**427 812 086**	**448 280 772**
COMMUNITY WEALTH			
Accumulated Surplus	**19**	427 812 086	448 280 772
		427 812 086	**448 280 772**

RAYMOND MHLABA LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2020

	Notes	30 JUNE 2020 R (Actual)	30 JUNE 2019 R (Restated)
REVENUE			
REVENUE FROM NON-EXCHANGE TRANSACTIONS		**379 225 103**	**351 967 567**
Taxation Revenue		**108 653 180**	**73 734 664**
Property Rates	**20**	108 653 180	73 734 664
Transfer Revenue		**262 524 221**	**265 716 547**
Government Grants and Subsidies - Capital	**21**	69 466 793	95 181 788
Government Grants and Subsidies - Operating	**21**	193 057 427	170 534 759
Other Revenue		**8 047 703**	**12 516 356**
Fines	**22**	79 840	82 650
Actuarial Gains	**23**	4 433 263	9 042 106
Fair Value Adjustments	**24**	3 534 600	3 391 600
REVENUE FROM EXCHANGE TRANSACTIONS		**123 403 128**	**118 514 687**
Operating Activities		**123 403 128**	**118 514 687**
Service Charges	**25**	84 071 288	80 293 124
Rental of Facilities and Equipment	**26**	284 905	334 952
Interest Earned - external investments	**27**	3 341 298	2 682 968
Interest Earned - outstanding debtors	**28**	27 067 150	23 887 256
Licences and Permits	**29**	3 565 198	4 391 828
Other Income	**30**	5 073 290	6 924 560
TOTAL REVENUE		**502 628 232**	**470 482 254**
EXPENDITURE			
Employee related costs	**31**	172 431 167	149 322 711
Remuneration of Councillors	**32**	18 523 030	17 728 829
Debt Impairment	**33**	107 590 065	62 189 219
Depreciation and Amortisation	**34**	31 498 986	30 371 560
Impairments	**35**	-	496 766
Finance Charges	**37**	23 994 497	21 775 275
Bulk Purchases	**38**	65 723 227	59 305 079
Transfers and Grants	**39**	9 790 360	7 953 046
Other Expenditure	**40**	92 714 376	117 937 772
Loss on disposal of Assets	**41**	831 210	33 673
TOTAL EXPENDITURE		**523 096 918**	**467 113 930**
NET SURPLUS FOR THE YEAR		**(20 468 686)**	**3 368 324**

RAYMOND MHLABA LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDING 30 JUNE 2020

	Note	ACCUMULATED SURPLUS R	TOTAL R
Balance on 1 July 2018		**424 616 012**	**424 616 012**
Prior Period Adjustments	**42.7**	20 296 436	**20 296 436**
Restated Balance on 1 July 2018		444 912 448	**444 912 448**
Net Surplus for the year		3 368 324	3 368 324
Restated Balance on 30 June 2019		**448 280 772**	**448 280 772**
Net Deficit for the year		(20 468 686)	(20 468 686)
Balance on 30 June 2020		**427 812 086**	**427 812 086**

RAYMOND MHLABA LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2020

	Notes	30 JUNE 2020 R (Actual)	30 JUNE 2019 R (Restated)
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Property rates		42 319 339	45 857 322
Service charges		66 339 391	66 614 250
Other Income		2 040 662	6 567 455
Government - operating		194 854 454	170 534 759
Government - capital		64 104 944	96 957 130
Interest Income		6 185 594	6 881 329
Payments			
Suppliers and employees		(274 494 034)	(283 440 009)
Finance charges		(19 190 768)	(16 855 874)
Transfers and Grants		(9 790 360)	(7 953 046)
NET CASH FROM OPERATING ACTIVITIES	**43**	**72 369 221**	**85 163 317**
CASH FLOW FROM INVESTING ACTIVITIES			
Payments			
Purchase of Property, Plant and Equipment		(63 749 537)	(90 608 368)
NET CASH USED INVESTING ACTIVITIES		**(63 749 537)**	**(90 608 368)**
CASH FLOW FROM FINANCING ACTIVITIES			
Receipts			
Increase in Consumer Deposits		94 401	205 749
Payments			
Long-Term Liabilities repaid		(2 227 808)	(1 960 146)
NET CASH USED FINANCING ACTIVITIES		**(2 133 407)**	**(1 754 397)**
NET INCREASE/(DECREASE) IN CASH HELD		**6 486 277**	**(7 199 448)**
Cash and Cash Equivalents at the beginning of the year		10 041 076	17 240 525
Cash and Cash Equivalents at the end of the year		16 527 353	10 041 076
NET INCREASE/(DECREASE) IN CASH HELD		**6 486 277**	**(7 199 448)**

RAYMOND MHLABA LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2020

COMPARISON OF ACTUAL FIGURES TO APPROVED BUDGET

	2020 R (Actual)	2020 R (Final Budget)	2020 R (Variance)
ASSETS			
Current assets			
Cash	16 527 353	10 836 076	5 691 277
Consumer debtors	35 801 293	24 199 290	11 602 003
Other Debtors	39 199 236	19 571 161	19 628 075
Total current assets	**91 527 883**	**54 606 528**	**36 921 355**
Non current assets			
Investment property	83 745 433	43 966 400	39 779 033
Property, plant and equipment	671 530 943	735 579 739	(64 048 796)
Heritage Assets	70 000	70 000	-
Intangible Assets	-	1 187	(1 187)
Total non current assets	**755 346 376**	**779 617 326**	**(24 270 949)**
TOTAL ASSETS	**846 874 259**	**834 223 853**	**12 650 406**
LIABILITIES			
Current liabilities			
Borrowing	1 566 878	2 600 000	(1 033 122)
Consumer deposits	2 473 837	2 407 788	66 050
Trade and other payables	314 554 668	262 114 021	52 440 647
Provisions and Employee Benefits	32 799 156	28 252 495	4 546 661
Total current liabilities	**351 394 539**	**295 374 303**	**56 020 236**
Non current liabilities			
Borrowing	4 583 214	4 093 598	489 616
Provisions and Employee Benefits	63 084 420	66 836 922	(3 752 502)
Total non current liabilities	**67 667 634**	**70 930 520**	**(3 262 886)**
TOTAL LIABILITIES	**419 062 173**	**366 304 823**	**52 757 350**
NET ASSETS	**427 812 086**	**467 919 030**	**(40 106 944)**
COMMUNITY WEALTH			
Accumulated Surplus	427 812 086	467 919 030	(40 106 944)
TOTAL COMMUNITY WEALTH/EQUITY	**427 812 086**	**467 919 030**	**(40 106 944)**

RAYMOND MHLABA LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2020

ADJUSTMENTS TO APPROVED BUDGET

	2020 R (Approved Budget)	2020 R (Adjustments)	2020 R (Final Budget)
ASSETS			
Current assets			
Cash	9 154 707	1 681 369	10 836 076
Consumer debtors	24 199 290	-	24 199 290
Other Debtors	19 571 161	-	19 571 161
Total current assets	**52 925 159**	**1 681 369**	**54 606 528**
Non current assets			
Investment property	40 409 170	3 557 230	43 966 400
Property, plant and equipment	776 060 096	(40 480 357)	735 579 739
Heritage Assets	70 000	-	70 000
Intangible Assets	1 187	-	1 187
Total non current assets	**816 540 453**	**(36 923 127)**	**779 617 326**
TOTAL ASSETS	**869 465 612**	**(35 241 759)**	**834 223 853**
LIABILITIES			
Current liabilities			
Borrowing	-	2 600 000	2 600 000
Consumer deposits	2 407 788	-	2 407 788
Trade and other payables	184 114 021	78 000 000	262 114 021
Provisions and Employee Benefits	28 252 495	-	28 252 495
Total current liabilities	**214 774 303**	**80 600 000**	**295 374 303**
Non current liabilities			
Borrowing	-	4 093 598	4 093 598
Provisions and Employee Benefits	69 336 922	(2 500 000)	66 836 922
Total non current liabilities	**69 336 922**	**1 593 598**	**70 930 520**
TOTAL LIABILITIES	**284 111 225**	**82 193 598**	**366 304 823**
NET ASSETS	**585 354 387**	**(117 435 357)**	**467 919 030**
COMMUNITY WEALTH			
Accumulated Surplus	585 354 387	(117 435 357)	467 919 030
TOTAL COMMUNITY WEALTH/EQUITY	**585 354 387**	**(117 435 357)**	**467 919 030**

RAYMOND MHLABA LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2020

COMPARISON OF ACTUAL FIGURES TO APPROVED BUDGET

	2020 R (Actual)	2020 R (Final Budget)	2020 R (Variance)
REVENUE BY SOURCE			
Property rates	108 653 180	100 528 731	8 124 449
Service charges	84 071 288	77 021 514	7 049 775
Rental of facilities and equipment	284 905	781 800	(496 895)
Interest earned - external investments	3 341 298	2 247 200	1 094 098
Interest earned - outstanding debtors	27 067 150	23 580 960	3 486 190
Fines	79 840	202 248	(122 408)
Licences and permits	3 565 198	4 269 680	(704 482)
Government Grants and Subsidies - Operating	193 057 427	190 316 269	2 741 158
Other revenue	13 041 153	22 360 116	(9 318 964)
TOTAL OPERATING REVENUE	**433 161 438**	**421 308 518**	**11 852 920**
EXPENDITURE BY TYPE			
Employee related costs	172 431 167	164 678 151	7 753 016
Remuneration of councillors	18 523 030	23 730 000	(5 206 970)
Debt impairment	107 590 065	139 500 000	(31 909 935)
Depreciation & asset impairment	31 498 986	54 500 000	(23 001 014)
Finance charges	23 994 497	5 100 000	18 894 497
Bulk purchases	65 723 227	65 000 000	723 227
Grants and subsidies paid	9 790 360	14 000 000	(4 209 640)
Other expenditure	92 714 376	93 128 164	(413 788)
Loss on disposal of Assets	831 210	-	831 210
TOTAL OPERATING EXPENDITURE	**523 096 918**	**559 636 315**	**(36 539 397)**
OPERATING DEFICIT FOR THE YEAR	**(89 935 479)**	**(138 327 797)**	**48 392 318**
Government Grants and Subsidies - Capital	69 466 793	72 467 692	(3 000 899)
NET DEFICIT FOR THE YEAR	**(20 468 686)**	**(65 860 105)**	**45 391 419**

RAYMOND MHLABA LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2020

ADJUSTMENTS TO APPROVED BUDGET

	2020 R (Approved Budget)	2020 R (Adjustments)	2020 R (Final Budget)
REVENUE BY SOURCE			
Property rates	100 528 731	-	100 528 731
Service charges	77 021 514	-	77 021 514
Rental of facilities and equipment	781 800	-	781 800
Interest earned - external investments	2 247 200	-	2 247 200
Interest earned - outstanding debtors	23 580 960	-	23 580 960
Fines	202 248	-	202 248
Licences and permits	4 269 680	-	4 269 680
Government Grants and Subsidies - Operating	185 238 650	5 077 619	190 316 269
Other revenue	22 360 116	-	22 360 116
TOTAL OPERATING REVENUE	**416 230 899**	**5 077 619**	**421 308 518**
EXPENDITURE BY TYPE			
Employee related costs	164 678 151	-	164 678 151
Remuneration of councillors	23 730 000	-	23 730 000
Debt impairment	21 000 000	118 500 000	139 500 000
Depreciation & asset impairment	27 500 000	27 000 000	54 500 000
Finance charges	5 100 000	-	5 100 000
Bulk purchases	65 000 000	-	65 000 000
Grants and subsidies paid	14 000 000	-	14 000 000
Other expenditure	75 105 783	18 022 381	93 128 164
TOTAL OPERATING EXPENDITURE	**396 113 934**	**163 522 381**	**559 636 315**
OPERATING SURPLUS/(DEFICIT) FOR THE YEAR	**20 116 965**	**(158 444 762)**	**(138 327 797)**
Government Grants and Subsidies - Capital	68 271 350	4 196 342	72 467 692
NET SURPLUS/(DEFICIT) FOR THE YEAR	**88 388 315**	**(154 248 420)**	**(65 860 105)**

RAYMOND MHLABA LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2020

COMPARISON OF ACTUAL FIGURES TO APPROVED BUDGET

	2020 R (Actual)	2020 R (Final Budget)	2020 R (Variance)
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Property Rates	42 319 339	61 217 239	(18 897 900)
Service Charges	66 339 391	50 063 984	16 275 407
Other Income	2 040 662	27 613 844	(25 573 183)
Government - Operating	194 854 454	186 283 650	8 570 804
Government - Capital	64 104 944	70 769 350	(6 664 406)
Interest Income	6 185 594	15 624 824	(9 439 230)
Payments			
Suppliers and Employees	(274 494 034)	(328 513 937)	54 019 903
Finance Charges	(19 190 768)	(5 099 999)	(14 090 769)
Transfers and Grants	(9 790 360)	(14 000 000)	4 209 640
NET CASH FROM OPERATING ACTIVITIES	**72 369 221**	**63 958 956**	**8 410 266**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments			
Capital assets	(63 749 537)	(74 019 350)	10 269 813
NET CASH USED IN INVESTING ACTIVITIES	**(63 749 537)**	**(74 019 350)**	**10 269 813**
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts			
Increase in consumer deposits	94 401	2 407 788	(2 313 387)
Payments			
Repayment of borrowing	(2 227 808)	-	(2 227 808)
NET CASH FROM/(USED) FINANCING ACTIVITIES	**(2 133 407)**	**2 407 788**	**(4 541 195)**
NET INCREASE/(DECREASE) IN CASH HELD	**6 486 277**	**(7 652 606)**	**14 138 884**
Cash and Cash Equivalents at beginning of the Year	10 041 076	18 488 682	(8 447 606)
Cash and Cash Equivalents at the end of the Year	16 527 353	10 836 076	5 691 277

RAYMOND MHLABA LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2020

ADJUSTMENTS TO APPROVED BUDGET

	2020 R (Approved Budget)	2020 R (Adjustments)	2020 R (Final Budget)
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Property Rates	61 217 239	-	61 217 239
Service Charges	50 063 984	-	50 063 984
Other Income	27 613 844	-	27 613 844
Government - Operating	185 238 650	1 045 000	186 283 650
Government - Capital	68 271 350	2 498 000	70 769 350
Interest Income	15 624 824	-	15 624 824
Payments			
Suppliers and Employees	(310 513 934)	(18 000 003)	(328 513 937)
Finance charges	(5 100 000)	1	(5 099 999)
Transfers and Grants	(17 000 000)	3 000 000	(14 000 000)
NET CASH FROM OPERATING ACTIVITIES	**75 415 957**	**(11 457 002)**	**63 958 956**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments			
Capital assets	(71 271 350)	(2 748 000)	(74 019 350)
NET CASH USED IN INVESTING ACTIVITIES	**(71 271 350)**	**(2 748 000)**	**(74 019 350)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts			
Increase in consumer deposits	210 100	2 197 688	2 407 788
NET CASH FROM FINANCING ACTIVITIES	**210 100**	**2 197 688**	**2 407 788**
NET INCREASE/(DECREASE) IN CASH HELD	**4 354 707**	**(12 007 314)**	**(7 652 606)**
Cash and Cash Equivalents at beginning of the Year	4 800 000	13 688 682	18 488 682
Cash and Cash Equivalents at the end of the Year	9 154 707	1 681 369	10 836 076

1 ACCOUNTING POLICIES

1.01 BASIS OF PREPARATION

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, unless specified otherwise.

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – November 2013) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

Assets, liabilities, revenue and expenses have not been offset, except when offsetting is permitted or required by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

Actual and budgeted figures are presented based on the nature of the revenue or expense, unless stated otherwise.

1.02 TRANSITIONAL PROVISIONS

The Municipality resolved to take advantage of the following transitional provisions:

In term of Directive 7 - "The Application of Deemed Cost on the Adoption of Standards of GRAP", the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment, Intangible Asset and Heritage Assets where the acquisition cost of an asset could not be determined.

In terms of GRAP 108 - "Statutory Receivables", the Municipality is utilising the transitional provision contained in Directive 4 that grant the Municipality a period of three years (1 July 2019 to 30 June 2022) in order to finalise the classification and impairment methods of Statutory Receivables.

1.03 PRESENTATION CURRENCY

The financial statements are presented in South African Rand, rounded off to the nearest Rand, which is the Municipality's functional currency.

1.04 GOING CONCERN ASSUMPTION

These financial statements have been prepared on a going concern basis.

1.05 COMPARATIVE INFORMATION

1.05.1 Prior year comparatives

When the presentation or classification of items in the financial statements are amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed.

1.05 COMPARATIVE INFORMATION (CONTINUED)

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.05.2 Amended Accounting Policies

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements.

1.06 MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.07 BUDGET INFORMATION

Budget information is presented on the accrual basis and is based on the same fiscal period as the actual amounts.

The Statement of Comparison of Budget and Actual Amounts includes the comparison between the actual amounts and approved budget amounts.

The disclosure of comparative information in respect of the previous period is not required by the Standards of GRAP.

1.08 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

1.08.1 Effective dates determined

Where a Standard of GRAP has been issued but is not yet effective, the Municipality may resolve to early adopt such a Standard of GRAP if an effective date has been determined by the Minister of Finance.

The Municipality resolved to early adopt the Amendments to the Standards of GRAP for "Presentation of Financial Statements" which was issued in April 2019. The amendments effected the following Standards of GRAP:

1.08 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

Standard	Description	Effective Date
GRAP 1	Presentation of Financial Statements	1 April 2020
GRAP 21	Impairment of Non-cash-generating Assets	1 April 2020
GRAP 26	Impairment of Cash-generating Assets	1 April 2020
GRAP 104	Financial Instruments	1 April 2020

The Municipality also resolved to early adopt the Improvements to Standards of GRAP (2020) which was issued during March 2020. The improvements effected the following Standards of GRAP:

Standard	Description	Effective Date
GRAP 5	Borrowing Costs	1 April 2021
GRAP 13	Leases	1 April 2021
GRAP 16	Investment Property	1 April 2021
GRAP 17	Property Plant and Equipment	1 April 2021
GRAP 24	Presentation of Budget Information in Financial Statements	1 April 2021
GRAP 31	Intangible Assets	1 April 2021
GRAP 32	Service Concession Arrangements: Grantor	1 April 2021
GRAP 37	Joint Arrangements	1 April 2021
GRAP 106	Transfer of Functions Between Entities Not Under Common Control	1 April 2021
Directive 7	The Application of Deemed Cost	1 April 2021

The effect of the above-mentioned amendments and improvements to the Standards of GRAP which were early adopted is considered insignificant. The amendments and improvements to the Standards of GRAP mainly relate to the clarification of accounting principles.

The Municipality resolved not to early adopt Directive 14 - "The Application of Standards of GRAP by Public Entities that apply IFRS Standards" (effective 1 April 2021) as this Directive is not applicable to municipalities and will have no impact on the Municipality once it becomes effective.

The Municipality further resolved not to early adopt the following Standards of GRAP and Interpretations of the Standard of GRAP which was issued but is not yet effective:

1.08 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

1.08.1.1 GRAP 18 - Segment Reporting (effective 1 April 2020)

The objective of this Standard is to establish principles for reporting financial information by segments.

Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will be not be significant.

1.08.1.2 GRAP 34 - Separate Financial Statements (effective 1 April 2020)

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

No significant impact is expected as the Municipality has no investments in any entities.

1.08.1.3 GRAP 35 - Consolidated Financial Statements (effective 1 April 2020)

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

No significant impact is expected as the Municipality's treatment is already aligned to the standard.

1.08.1.4 GRAP 36 - Investments in Associates and Joint Ventures (effective 1 April 2020)

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

No significant impact is expected as the Municipality does not have investments in any associates or joint ventures.

1.08.1.5 GRAP 37 - Joint Arrangements (effective 1 April 2020)

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

No significant impact is expected as the Municipality does not have an interest in any arrangements that are controlled jointly.

1.08.1.6 GRAP 38 - Disclosure of Interests in Other Entities (effective 1 April 2020)

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

1.08 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

(a) the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and

(b) the effects of those interests on its financial position, financial performance and cash flows.

No significant impact is expected as the Municipality does not have an interest in any entities, associates, joint ventures or joint arrangements.

1.08.1.7 GRAP 110 - Living and Non-living Resources (effective 1 April 2020)

The objective of this Standard is to prescribe the:

(a) recognition, measurement, presentation and disclosure requirements for living resources; and

(b) disclosure requirements for non-living resources.

No significant impact is expected as the Municipality does not have any living resources. Preliminary investigations indicated that the Municipality's non-living resources do not fall within the scope of this Standard.

1.08.1.8 iGRAP 20 - Accounting for Adjustments to Revenue (effective 1 April 2020)

This Interpretation clarifies the accounting for adjustments to:
(a) exchange and non-exchange revenue charged in terms of legislation or similar means; and
(b) interest and penalties that arise from revenue already recognised.

No significant impact is expected as the Municipality's current treatment is already to a large extent in line with the Interpretation's requirements.

1.08.2 Effective dates not yet determined

Where a Standard of GRAP has been issued but not yet effective and the Minister of Finance has not yet determined an effective date, the Municipality may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event.

The following Standards of GRAP have been issued but are not yet effective as the Minister of Finance has not yet determined the effective date for application:

1.08.2.1 GRAP 104 (Revised 2019) - Financial Instruments

The objective of this Standard is to establish principles for recognising, measuring, presenting and disclosing financial instruments.

No significant impact is expected as the Municipality's current treatment is already in line with the Standard's requirements.

1.09 INVESTMENT PROPERTY

1.09.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, for administration purposes, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

Investment property is recognised as an asset when it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the Municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially measured at cost on its acquisition date. The cost of investment property is the purchase price and other costs attributable to bring the asset to a condition necessary for it to be capable of operating in the manner intended by the Municipality.

Where an investment property is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition and any other costs attributable to bring the asset to a condition necessary for it to be capable of operating in the manner intended by the Municipality. The cost of self-constructed investment property is the cost at date of completion. Transfers are made to or from investment property only when there is a change in use.

Where an investment property is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition. The cost of self-constructed investment property is the cost at date of completion. Transfers are made to or from investment property only when there is a change in use.

Where investment property is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

1.09.2 Subsequent Measurement – Fair Value Model

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is recognised in the Statement of Financial Performance for the period in which it arises.

For a transfer from investment property carried at fair value to owner-occupied property or inventories, the property's deemed cost is its fair value at the date of change in use.

If an owner-occupied property becomes an investment property that will be carried at fair value, any differences between the carrying amount of the property and its fair value is treated in the same way as a revaluation in accordance with the Standard of GRAP on Property, Plant and Equipment.

1.09 INVESTMENT PROPERTY (CONTINUED)

For a transfer from inventories to investment property that will be carried at fair value, any difference between the fair value of the property and its previous carrying amount is recognised in the Statement of Financial Performance.

To ensure consistency between accounting policies applied by the former municialities (before merger date), all investment properties will be subsequently measured at fair value. Nxuba Local Municipality previously accounted for investment properties on the cost model.

1.09.3 Impairment

Investment property is reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.09.4 Derecognition

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the Statement of Financial Performance in the period of the retirement or disposal.

Compensation from third parties for items of investment property that were impaired, lost or given up is recognised in the Statement of Financial Performance when the compensation becomes receivable.

1.10 PROPERTY, PLANT AND EQUIPMENT

1.10.1 Initial Recognition

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably.

1.10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Items of property, plant and equipment are initially recognised at cost on its acquisition date. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired through a non-exchange transaction, the cost is deemed to be equal to the fair value of that asset as at date of acquisition and any other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality.

Where an asset is acquired through a non-exchange transaction, the cost is deemed to be equal to the fair value of that asset as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment.

1.10.2 Subsequent Measurement - Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

1.10.3 Depreciation

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Depreciation of an asset ceases at the date that the asset is derecognised.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The depreciation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset.

1.10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The depreciation method is reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

At each reporting date the Municipality assesses whether there is any indication that expectations about the residual value and the useful life of an asset may have changed since the preceding reporting date. If any such indication exists, the expected residual value and useful life are revised and the effect of any changes in estimate accounted for on the a prospective basis.

The annual depreciation rates are based on the following estimated useful lives:

	YEARS
Land and Buildings	
Land	Indefinite
Buildings	17 - 100
Infrastructure	
Roads and Stormwater	7 - 100
Electricity	11 - 122
Solid Waste	8 - 72
Community Assets	
Park Facilities	24 - 125
Lease Assets	
Computer Equipment	3 - 5
Plant and Machinery	3
Community Assets	
Park Facilities	24 - 125
Lease Assets	
Computer Equipment	2 - 5
Plant and Machinery	3
Motor Vehicles	3
Other Assets	
Plant and Machinery	5 - 20
Motor Vehicles	5 - 16
Computer Equipment	4 - 15
Furniture and Office Equipment	5 - 16
Capitalised Restoration Cost	
Landfill sites	10 - 92

1.10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

1.10.4 Impairment

Property, plant and equipment is reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.10.5 Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is recognised in the Statement of Financial Performance when the compensation becomes receivable.

1.11 INTANGIBLE ASSETS

1.11.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

The Municipality recognises an intangible asset only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost on its acquisition date. The cost of an intangible asset is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost is measured at its fair value at the date of acquisition and any other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost is measured at its fair value at the date of acquisition.

1.11 INTANGIBLE ASSETS (CONTINUED)

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Internally generated intangible assets are subject to a strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

(a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;

(b) its intention to complete the intangible asset and use or sell it;
(c) its ability to use or sell the intangible asset;
(d) how the intangible asset will generate probable future economic benefits or service potential;

(e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
(f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

1.11.2 Subsequent Measurement - Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses.

1.11.3 Amortisation

The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is still subject to an annual impairment test.

Amortisation of an intangible with a finite life asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Amortisation ceases at the date that the asset is derecognised.

Amortisation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the intangible assets. The amortisation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset.

The residual value of an intangible asset with a finite useful life is considered to be zero.

The amortisation period and amortisation method are reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

1.11 INTANGIBLE ASSETS (CONTINUED)

The annual amortisation rates are based on the following estimated useful lives:

	Years
Computer Software	3

1.11.4 Impairment

Intangible assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.11.5 Derecognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.12 HERITAGE ASSETS

1.12.1 Initial Recognition

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

Heritage assets are initially recognised at cost on its acquisition date. The cost of heritage assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, the cost is deemed to be equal to the fair value of that asset as at date of acquisition and any other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality.

Where an asset is acquired through a non-exchange transaction, the cost is deemed to be equal to the fair value of that asset as at date of acquisition.

1.12 HERITAGE ASSETS (CONTINUED)

Where a heritage asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

1.12.2 Subsequent Measurement – Cost Model

Heritage assets are carried at its cost less any accumulated impairment losses.

1.12.3 Depreciation

Heritage assets are not depreciated.

1.12.4 Impairment

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.12.5 Derecognition

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset.

The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

Compensation from third parties for heritage assets that were impaired, lost or given up is recognised in the Statement of Financial Performance when the compensation becomes receivable.

1.13 IMPAIRMENT OF NON-MONETARY ASSETS

An impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation.

Cash-generating assets are assets held with the primary objective of generating a commercial return. Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Municipality estimates the recoverable amount of the asset.

1.13 IMPAIRMENT OF NON-MONETARY ASSETS (CONTINUED)

1.13.1 Recoverable amount of Cash-generating assets

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

The best evidence of fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

1.13.2 Recoverable amount of Non-cash-generating assets

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use.

The value in use for a non-cash generating asset is the present value of the asset's remaining service potential. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

1.13.3 Impairment loss

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

An impairment loss of assets carried at a revalued amount in accordance with another Standard of GRAP is treated as a revaluation decrease in accordance with that Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.13.4 Reversal of an impairment loss

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

1.13 IMPAIRMENT OF NON-MONETARY ASSETS (CONTINUED)

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

A reversal of an impairment loss of assets carried at a revalued amount in accordance with another Standard of GRAP is treated as a revaluation increase in accordance with that Standard of GRAP.

After the reversal of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.14 INVENTORIES

1.14.1 Initial Recognition

Inventories are assets:

(a) in the form of materials or supplies to be consumed in the production process;
(b) in the form of materials or supplies to be consumed or distributed in the rendering of services;

(c) held for sale or distribution in the ordinary course of operations; or
(d) in the process of production for sale or distribution.

Inventories are recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably.

Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventories are acquired through a non-exchange transaction, the cost is measured at the fair value as at the date of acquisition plus any other costs in bringing the inventories to their current location and condition.

Where inventories are acquired through a non-exchange transaction, the cost is measured at the fair value as at the date of acquisition.

1.14.2 Subsequent Measurement

When inventories are sold, exchanged or distributed the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expense is recognised when the goods are distributed, or related service is rendered.

1.14 INVENTORIES (CONTINUED)

Inventories are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution. Current replacement cost is the cost the Municipality would incur to acquire the asset on the reporting date.

The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories is recognised as an expense in the period the write-down or loss occurs.

The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The basis of allocating cost to inventory items is the weighted average method.

At reporting date, the water volume is determined by way of dip readings and the calculated volume in the distribution network. Water inventory is then measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Cost of land held for sale is assigned by using specific identification of their individual costs.

1.15 EMPLOYEE BENEFITS

Defined-contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year during which they become payable.

Defined-benefit plans are post-employment benefit plans other than defined-contribution plans.

1.15.1 Post-Retirement Benefits

The Municipality provides retirement benefits for its employees and councillors. Retirement benefits consist of defined-contribution plans and defined-benefit plans.

1.15.1.1 Multi-employer defined benefit plans

The municipality contributes to various National- and Provincial-administered defined benefit plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. These defined benefit funds are actuarially valued on the projected unit credit method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

1.15 EMPLOYEE BENEFITS (CONTINUED)

1.15.1.2 Post Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined. The plan is unfunded.

Contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability is calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, are recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.15.2 Long-term Benefits

1.15.2.1 Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.15.3 Short-term Benefits

1.15.3.1 Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at reporting date and also on the total remuneration package of the employee.

1.15 EMPLOYEE BENEFITS (CONTINUED)

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term. Accumulated leave is vesting.

1.15.3.2 Staff Bonuses Accrued

The liability for staff bonuses is based on the accrued bonus for each employee at reporting date.

1.16 PROVISIONS

A provision is a liability of uncertain timing or amount. Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made.

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when it is virtually certain that reimbursement will be received if the Municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement will not exceed the amount of the provision. In the Statement of Financial Performance, the expense relating to a provision may be presented net of the amount recognised for a reimbursement.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The Municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
- the principal locations affected;
- the location, function and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented.

(b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

1.16 PROVISIONS (CONTINUED)

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is derecognised.

1.17 LEASES

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

1.17.1 Municipality as Lessee

1.17.1.1 Finance Leases

At the commencement of the lease term, the Municipality recognises assets acquired under finance leases as assets and the associated lease obligations as liabilities in the Statement of Financial Position.

At the inception of the lease, the assets and liabilities are recognised at the lower of the fair value of the leased property and the present value of the minimum lease payments. The discount rate to be used in calculating the present value of the minimum lease payment is the interest rate implicit in the lease. If the rate implicit to the lease is not available the Municipality's incremental borrowing rate is used. Any initial direct costs of the Municipality are added to the amount recognised as an asset.

Subsequent to initial recognition, the minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents, if any, are charged as expenses to the Statement of Financial Performance in the periods in which they are incurred. The leased assets are accounted for in accordance with the stated accounting policies applicable to the assets.

1.17.1.2 Operating leases

Lease payment under an operating lease is recognised as an expense in the Statement of Financial Performance on a straight-line basis over lease term, unless another systematic basis is more representative of the time pattern of the user's benefit. The difference between the straight-lined expenses and actual payments made will give rise to a liability.

1.17.2 Municipality as Lessor

1.17.2.1 Finance Leases

The Municipality recognises lease payments receivable under a finance lease as assets (receivable) in the Statement of Financial Position. The asset (receivable) is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease.

1.17 LEASES (CONTINUED)

The asset (receivable) is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis in the Statement of Financial Performance.

1.17.2.2 Operating Leases

Operating lease revenue is recognised in the Statement of Financial Performance on a straight-line basis over the term of the relevant lease, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished. The difference between the straight-lined revenue and actual payments received will give rise to an asset.

1.18 FINANCIAL INSTRUMENTS

1.18.1 Initial Recognition

Financial instruments (financial assets and financial liabilities) are recognised on the Municipality's Statement of Financial Position when it becomes party to the contractual provisions of the instrument.

Financial instruments are initially recognised at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

1.18.2 Subsequent Measurement

Financial instruments are categorised as follow:

(a) **Financial instruments at amortised cost** are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. They are included in current assets or current liabilities, except for maturities greater than 12 months, which are classified as non-current. After initial recognition, both financial assets and financial liabilities are measured at amortised cost, using the effective interest rate method. Financial assets are also subject to an impairment review.

(b) **Financial instruments at cost** are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured. Both financial assets and financial liabilities are subsequently measured at cost. Financial assets are subject to an impairment review.

1.18 FINANCIAL INSTRUMENTS (CONTINUED)

(c) **Financial instruments at fair value** comprise of financial assets or financial liabilities that are:

(i) derivatives;
(ii) combined instruments that are designated at fair value;
(iii) instruments held for trading;
(iv) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
(v) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Both, financial assets and financial liabilities are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

1.18.3 Impairment and uncollectability of financial assets

Financial assets, other than those at fair value, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence of impairment of financial assets.

1.18.3.1 Financial assets measured at amortised cost

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Cash flows relating to short-term financial assets are not discounted where the effect of discounting is immaterial. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment is reversed by adjusting an allowance account. The amount of the reversal is recognised in Statement of Financial Performance.

1.18.3.2 Financial assets measured at cost

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses is not be reversed.

1.18 FINANCIAL INSTRUMENTS (CONTINUED)

1.18.4 Derecognition of financial instruments

1.18.4.1 Financial assets

The Municipality derecognises financial assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. Financial assets (receivables) are also derecognised when Council approves the write-off of financial assets due to non-recoverability.

If the Municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the Municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

1.18.4.2 Financial liabilities

The Municipality derecognises financial liabilities when the Municipality's obligations are discharged, cancelled or they expire.

The Municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

1.18.5 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.19 STATUTORY RECEIVABLES

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

1.19.1 Initial Recognition

Statutory receivables are recognised when the related revenue (exchange or non-exchange revenue) is recognised or when the receivable meets the definition of an asset. The Municipality initially measure statutory receivables at their transaction amount.

1.19 STATUTORY RECEIVABLES (CONTINUED)

1.19.2 Subsequent Measurement

The Municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is subsequently changed to reflect any interest or other charges that may have accrued on the receivable, less any impairment losses and amounts derecognised.

1.19.3 Impairment and uncollectability of statutory receivables

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired.

If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

1.19.3 Derecognition

The Municipality derecognises a statutory receivable when the rights to the cash flows from the receivable are settled, expire or are waived or the Municipality transfers the receivable and substantially all the risks and rewards of ownership of the receivable to another entity.

When the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of receivable to another entity, the Municipality derecognises the receivable and recognises separately any rights and obligations created or retained in the transfer.

1.20 CASH AND CASH EQUIVALENTS

Cash includes cash on hand, cash held with banks, and call deposits. Cash equivalents are short-term highly liquid investments with registered banking institutions with maturities of three months or less from inception, readily convertible to cash without significant change in value.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred in the Statement of Financial Performance.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any bank overdrafts.

1.21 RECEIVABLES

Receivables are recognised initially at fair value, which approximates amortised cost less provision for impairment. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of receivables. An estimate is made for impairment of receivables, based on past default experience of all outstanding amounts at reporting date.

Bad debts are written off in the year during which they are identified as irrecoverable, subject to the approval by the appropriate delegated authority. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the Statement of Financial Performance.

1.22 TAXES (VALUE ADDED TAX)

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included in the Statement of Financial Position. The Municipality accounts for value-added tax (VAT) on the payment basis.

1.23 PAYABLES AND ANNUITY LOANS

Payables and annuity loans are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.24 CONSUMER DEPOSITS

Consumer deposits are disclosed as a current liability. Consumer deposits are levied in line with council's policy to consumers when services are initially connected. When services are disconnected or terminated, the outstanding deposit is utilised against any arrear accounts the consumer might be liable for on that date. Any excess deposit after all debt is settled is refunded to the specific consumer.

1.25 CONDITIONAL GOVERNMENT GRANTS AND PUBLIC CONTRIBUTIONS

Grants, transfers and donations received or receivable are recognised as assets when the resources that have been transferred to the Municipality meet the definition and criteria for recognition as assets.

Conditional grants, transfers and donations are recognised as revenue to the extent that the Municipality has complied with the conditions embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the conditions have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

1.25 CONDITIONAL GOVERNMENT GRANTS AND PUBLIC CONTRIBUTIONS (CONTINUED)

The liability recognised to the extent that the conditions associated with the grant, transfer or donation have not been met, always has to be cash-backed. The cash which backs up the liability is invested as a individual investment or part of the general investments of the Municipality until it is utilised.

Interest earned on investments of grants, transfers and donations are treated in accordance with conditions as stipulated in the agreement. If it is payable to the grantor it is recorded as part of the creditor and if it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.26 REVENUE

At the time of initial recognition, the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the Municipality has no intention of collecting this revenue. Where the Municipality has no intention of collecting the revenue, rebates and discounts are offset against the related revenue. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

1.26.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange.

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

1.26.1.1 Taxation Revenue

Taxation revenue comprises of property rates. Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

1.26.1.2 Transfer Revenue

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants, transfers and donations without any conditions attached are recognised as revenue when the asset is recognised.

1.26 REVENUE (CONTINUED)

1.26.1.3 Fines

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued. In cases where fines and summonses are issued and collected by another government institute, revenue will only be recognised when monies are received, as the Municipality does not have any control over fines issued or collected by other government institutes.

1.26.1.4 Insurance Receipts

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

1.26.1.5 Unclaimed deposits

All unclaimed deposits are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. This policy is in line with prescribed debt principle as enforced by law.

1.26.1.6 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Income from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the MFMA (Act 56 of 2003), and is recognised upon the recovery thereof from the responsible party.

1.26.1.7 Services in-kind

Services in-kind include services provided by individuals to the Municipality at no charge or where the Municipality has the right to use assets at no charge.

The Municipality's recognises services in-kind that are significant to its operations as assets and recognises the related revenue when it is probable that the future economic benefits or service potential will flow to the Municipality and the fair value of the assets can be measured reliably.

When the criteria for recognition is satisfied, services in-kind are recognised at their fair value as at the date of acquisition.

If the services in-kind are not significant to the Municipality's operations or does not satisfy the criteria for recognition, the Municipality only disclose the nature and type of services in-kind received during the reporting period.

1.26.1.8 Contributed Assets

Contributed assets are recognised at fair value when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

1.26 REVENUE (CONTINUED)

1.26.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

1.26.2.1 Service Charges

Service Charges are levied in terms of approved tariffs.

Service charges relating to electricity are based on consumption and a basic charge as per the approved tariffs. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created, based on consumption history. The provisional estimates of consumption are recognised as revenue when invoiced, except at reporting date when estimates of consumption up to the reporting date are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

1.26.2.2 Investment income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

1.26.2.3 Rental income

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

1.26.2.5 Other Tariffs

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

1.26 REVENUE (CONTINUED)

1.26.2.6 Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

(a) The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
(b) The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
(c) The amount of revenue can be measured reliably.
(d) It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
(e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.26.2.7 Deferred payment

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

1.27 BORROWING COSTS

Borrowing costs that are incurred by the Municipality are expensed in the Statement of Financial Performance in the period during which they are incurred, regardless of how the borrowings are applied.

1.28 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.29 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.30 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.31 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measures with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

1.32 CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.33 EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

(a) those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
(b) those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

1.34 RELATED PARTIES

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Related party transaction is a transfer of resources, services or obligations between the Municipality and a related party, regardless of whether a price is charged.

Management is considered a related party and comprises those persons responsible for planning, directing and controlling the activities of the Municipality, including those charged with the governance of the Municipality in accordance with legislation, in instances where they are required to perform such functions.

A close family member of management is also considered to be related party. A person is considered to be a close member of the family of another person if they are married or live together in a relationship similar to a marriage or are separated by no more than two degrees of natural or legal consanguinity or affinity.

The Municipality is exempt from the disclosure requirements in relation to related party transactions if that transactions occurs within the normal supplier and/or client/recipient relationship on terms and conditions no more or less favourable than those which it is reasonable to expect the Municipality to have adopted if dealing with that individual entity or person in the same circumstances, and the terms and conditions are within the normal operating parameters established by Municipality's legal mandate.

Where the Municipality is exempt from the disclosures in accordance with the above-mentioned paragraph, the Municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable to users of the financial statements to understand the effect of related party transactions.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm’s length and not on normal commercial terms, are disclosed.

1.35 ACCOUNTING BY PRINCIPLES AND AGENTS

An agent is an is an entity that has been directed another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principle and for the benefit of the principle.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

When the Municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement. The assessment of whether the Municipality is a principal or an agent requires the Municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

The Municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement shall re-assess whether they act as a principal or an agent in accordance with this Standard.

When the Municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If an entity concludes that it is not the agent, then it is the principal in the transactions.

The Municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

(a) It does not have the power to determine the significant terms and conditions of the transaction.

(b) It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
(c) It is not exposed to variability in the results of the transaction.

Where the Municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria od whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that is an agent. The Municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether an entity is an agent.

Where the Municipality acts as a principle, it recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirement of the relevant Standards of GRAP.

1.35 ACCOUNTING BY PRINCIPLES AND AGENTS (CONTINUED)

Where the Municipality acts as an agent, it recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The Municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of other Standards of GRAP.

1.36 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

1.36.1 Application of Directive 7

For deemed cost applied to Property, Plant and Equipment as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of on independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of on independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

1.36.2 Impairment of Receivables

The calculation in respect of the impairment of receivables is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

1.36.3 Useful lives and residual values

The useful lives of assets are based on management's estimates. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

The estimated residual values of assets are also based on management's judgement on whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

1.36 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

1.36.4 Impairment of non-monetary assets

Non-monetary assets can include, but is not limited to, Property, Plant and Equipment, Investment Property, Intangible assets and Heritage assets.

The Municipality is not a profit-oriented entity, as its primary objective is service delivery. Tariffs and charges are cost-reflective to ensure continued financial sustainability. No profit element is included in the determination of a tariff. As such, management has determined that the Municipality does not control assets that meet the definition of cash-generating assets and that the Standard of GRAP on Impairment of Non-cash-generating Assets will apply to all assets of the Municipality.

The calculation in respect of the impairment of non-monetary assets is based on an assessment of the extent to which the recoverable amount of the asset has declined below the carrying amount. This calculation will only be performed if there is an indication of an impairment.

1.36.5 Post-Retirement and Long-term Benefits

The cost of post retirement medical obligations and long-service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

1.36.6 Provisions and Contingent Liabilities

Management's judgement is required when recognising and measuring provisions, as well as when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. The discount rate used to calculate the effect of time value of money is linked to the index for earthwork as published by Statistics South Africa.

1.36.7 Distinguishing between Financial Instruments and Statutory Receivables

The Municipality analyses the terms and conditions of the transactions that give rise to its receivables in order to understand whether they arise directly from legislation or similar means, or from a separate contract concluded with a party. Judgement is applied in applying the principles as set out in the respective Standards of GRAP on Financial Instruments and Statutory Receivables.

1.36.8 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. In making the judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in the Standard of GRAP on Financial Instruments.

1.36 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

1.36.9 Revenue Recognition

Accounting Policy on Revenue from Non-Exchange Transactions and Accounting Policy on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as prescribed in the Standard of GRAP on Revenue from Exchange Transactions and Standard of GRAP on Revenue from Non-Exchange Transactions. Specifically, when goods are sold, whether the significant risks and rewards of ownership of the goods have been transferred to the buyer and when services are rendered, whether the service has been performed.

1.36.10 Recognition and Derecognition of Land

In order for land to be meet the definition of an asset, the Municipality must be able to prove that control is being exercised. Control of land is evidenced by either legal ownership and/or the right to direct access to land, and to restrict or deny the access of others to land.

To demonstrate access/restriction rights, the Municipality assesses whether it has a substantive right for an unlimited period through a binding arrangement.

The above-mentioned assessment is subject to management's judgements and assumptions are applied to conclude that the Municipality controls land.

1.36.11 Applying materiality

Since materiality is an entity-specific concept, its application may result in different outcomes based on the Municipality’s circumstances. The assessment of materiality therefore requires management to apply judgement about:

(a) How information could reasonably be expected to influence the discharge of accountability by the Municipality or decisions that the users make on the basis of those financial statements.

(b) How the nature or size or both, of the information could reasonably be expected to influence users’ decisions.

		30 JUNE 2020 R	30 JUNE 2019 R
2	**CASH AND CASH EQUIVALENTS**		
	Bank Accounts	16 527 353	10 041 076
	Total	**16 527 353**	**10 041 076**

Due to the short term nature of cash deposits, all balances included above is in line with their fair value

Cash and Cash Equivalents are held to support the following commitments:

Unspent Conditional Grants	3 368 000	2 732 961
Working Capital Requirements	13 159 354	7 308 115
Total	**16 527 353**	**10 041 076**

Refer to notes 14 and 21 for more detail relating to unspent conditional grants.

Bank Accounts

ABSA Bank Ltd - Current Account - 40 8171 6725

Bank Statement Balance - Opening Balance	3 870 090	4 032 796
Bank Statement Balance - Closing Balance	6 659 937	3 870 090
Cashbook Balance - Opening Balance	3 818 928	4 019 907
Cashbook Balance - Closing Balance	6 572 142	3 818 928

ABSA Bank Ltd - Current Account - 23 6000 0012

Bank Statement Balance - Opening Balance	57 886	(7 918)
Bank Statement Balance - Closing Balance	94 057	57 886
Cashbook Balance - Opening Balance	57 885	(7 918)
Cashbook Balance - Closing Balance	94 056	57 885

First National Bank Ltd - Current Account - 620 2619 2336

Bank Statement Balance - Opening Balance	3 685 191	11 294 664
Bank Statement Balance - Closing Balance	8 054 974	3 685 191
Cashbook Balance - Opening Balance	3 685 191	11 294 664
Cashbook Balance - Closing Balance	8 054 974	3 685 191

First National Bank Ltd - Current Account - 516 4001 1783

Bank Statement Balance - Opening Balance	2 479 072	1 929 091
Bank Statement Balance - Closing Balance	1 806 181	2 479 072
Cashbook Balance - Opening Balance	2 479 072	1 929 091
Cashbook Balance - Closing Balance	1 806 181	2 479 072

		30 JUNE 2020 R	30 JUNE 2019 R

2 CASH AND CASH EQUIVALENTS (CONTINUED)

There were no overdraft facility at the period ending 30 June 2019 and 30 June 2020.

There were no investment balances to report on 30 June 2019 and 30 June 2020.

3 RECEIVABLES FROM EXCHANGE TRANSACTIONS

30 JUNE 2020

	Gross Balance R	Allowance for impairment R	Net Receivable R
Service Receivables	**153 454 020**	**141 237 438**	**12 216 581**
Electricity	33 474 372	26 711 015	6 763 357
Refuse	102 076 049	98 032 804	4 043 245
Other Receivables	17 903 598	16 493 619	1 409 979
Other Receivables	**9 867 376**	**-**	**9 867 376**
Sundry Receivables	839 091	-	839 091
Eskom Trust Account	5 000 000	-	5 000 000
Eskom Deposits	4 028 286	-	4 028 286
Total	**163 321 396**	**141 237 438**	**22 083 958**

30 JUNE 2019

	Gross Balance R	Allowance for impairment R	Net Receivable R
Service Receivables	**140 651 675**	**126 130 636**	**14 521 039**
Electricity	30 726 477	23 180 864	7 545 614
Refuse	93 299 822	87 943 902	5 355 920
Other Receivables	16 625 376	15 005 871	1 619 505
Other Receivables	**3 897 720**	**-**	**3 897 720**
Sundry Receivables	340 159	-	340 159
Eskom Deposits	3 557 561	-	3 557 561
Total	**144 549 395**	**126 130 636**	**18 418 759**

The carrying value of receivables are in line with their fair value. A credit period of 30 days are granted on initial recognition of the receivable, which is considered to be in line with industry norms. Interest at prime rate + 1% is charged on overdue accounts.

The Eskom Deposits relates to connection deposits paid by the municipality to Eskom in areas where electricity services are obtained directly from Eskom (ie High Mast Lights). The Eskom Trust Account relates to funds paid into a trust account of Ntsiki Pakade Attorneys during 2019/20 as bond security for the legal matter against Eskom.

	30 JUNE 2020 R	30 JUNE 2019 R
Ageing of service receivables:		
Electricity Ageing		
Current (0 - 30 days)	2 228 545	3 664 253
Past Due (31 - 60 Days)	1 872 430	1 713 798
Past Due (61 - 90 Days)	1 549 769	1 168 015
Past Due (90 Days +)	27 823 628	24 180 410
Total	**33 474 372**	**30 726 477**
Refuse Ageing		
Current (0 - 30 days)	1 622 037	1 680 743
Past Due (31 - 60 Days)	1 548 158	1 549 118
Past Due (61 - 90 Days)	1 496 483	1 516 923
Past Due (90 Days +)	97 409 372	88 553 038
Total	**102 076 049**	**93 299 822**
Other Services Ageing		
Current (0 - 30 days)	524 871	740 594
Past Due (31 - 60 Days)	456 769	426 432
Past Due (61 - 90 Days)	427 056	340 518
Past Due (90 Days +)	16 494 902	15 117 832
Total	**17 903 598**	**16 625 376**

3 RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)

Ageing per Customer Classification - 30 June 2020

	Consumers	Industrial/ Commercial	National and Provincial Government
	R	R	R
Current (0 - 30 days)	1 642 818	1 652 967	1 079 668
Past Due (31 - 60 Days)	1 569 565	1 199 587	1 108 207
Past Due (61 - 90 Days)	1 539 325	976 966	957 017
Past Due (90 Days +)	111 140 287	20 933 689	9 653 925
Sub-Total	**115 891 994**	**24 763 209**	**12 798 817**
Less Allowance for Impairment	(111 993 083)	(21 805 183)	(7 439 172)
Total	**3 898 911**	**2 958 026**	**5 359 645**

Ageing per Customer Classification - 30 June 2019

	Consumers	Industrial/ Commercial	National and Provincial Government
	R	R	R
Current (0 - 30 days)	1 814 902	2 798 650	1 472 039
Past Due (31 - 60 Days)	1 654 300	889 422	1 145 626
Past Due (61 - 90 Days)	1 623 856	673 473	728 127
Past Due (90 Days +)	102 174 676	17 663 702	8 012 903
Sub-Total	**107 267 733**	**22 025 246**	**11 358 695**
Less Allowance for Impairment	(101 664 949)	(17 887 389)	(6 578 298)
Total	**5 602 784**	**4 137 857**	**4 780 397**

	30 JUNE 2020	30 JUNE 2019
	R	R
Reconciliation of Allowance for impairment		
Opening Balance	126 130 636	101 355 647
Contribution to the provision	28 574 610	24 774 989
Electricity	14 204 081	5 612 135
Refuse	12 793 644	15 625 537
Other Receivables	1 576 885	3 537 317
Bad Debts Written off	(13 467 808)	-
Electricity	(10 673 929)	-
Refuse	(2 704 742)	-
Other Receivables	(89 137)	-
Balance at the end of the year	**141 237 438**	**126 130 636**

3 RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)

The Allowance for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months. Based on these payment trends, management is satisfied that no further credit provision is required in excess of the current allowance. The risk of non-payment is further mitigated due to the large customer base over which the outstanding receivable balance is spread.

4 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

30 JUNE 2020

	Gross Balance	Allowance for impairment	Net Receivable
	R	R	R
Service Receivables	**302 391 111**	**278 806 399**	**23 584 712**
Rates	302 391 111	278 806 399	23 584 712
Other Receivables	**7 106 056**	**-**	**7 106 056**
Government Grants	4 199 861	-	4 199 861
Accrued Interest	1 700	-	1 700
Sundry Receivables	2 904 494	-	2 904 494
Total	**309 497 166**	**278 806 399**	**30 690 768**

30 JUNE 2019

	Gross Balance	Allowance for impairment	Net Receivable
	R	R	R
Service Receivables	**225 395 117**	**206 519 959**	**18 875 158**
Rates	225 395 117	206 519 959	18 875 158
Other Receivables	**3 667 077**	**-**	**3 667 077**
Accrued Interest	1 700	-	1 700
Sundry Receivables	3 665 377	-	3 665 377
Total	**229 062 193**	**206 519 959**	**22 542 234**

The carrying value of receivables are in line with their fair value. A credit period of 30 days are granted on initial recognition of the receivable, which is considered to be in line with industry norms. Interest at prime rate + 1% is charged on overdue accounts.

4 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (CONTINUED)

Ageing of service receivables:

Rates Ageing		
Current (0 - 30 days)	6 339 399	4 729 598
Past Due (31 - 60 Days)	6 168 100	4 438 188
Past Due (61 - 90 Days)	6 065 618	4 304 836
Past Due (90 Days +)	283 817 994	211 922 495
Total	**302 391 111**	**225 395 117**

Ageing per Customer Classification - 30 June 2020

	Consumers	**Industrial/ Commercial**	**National and Provincial Government**
	R	**R**	**R**
Current (0 - 30 days)	3 531 790	463 228	2 344 381
Past Due (31 - 60 Days)	3 400 447	393 115	2 374 539
Past Due (61 - 90 Days)	3 338 178	364 956	2 362 484
Past Due (90 Days +)	136 144 783	11 571 511	136 101 700
Sub-Total	**146 415 198**	**12 792 810**	**143 183 104**
Less Allowance for Impairment	(138 150 573)	(11 972 721)	(128 683 105)
Total	**8 264 625**	**820 089**	**14 499 999**

Ageing per Customer Classification - 30 June 2019

	Consumers	**Industrial/ Commercial**	**National and Provincial Government**
	R	**R**	**R**
Current (0 - 30 days)	2 817 457	387 759	1 524 383
Past Due (31 - 60 Days)	2 660 389	233 431	1 544 367
Past Due (61 - 90 Days)	2 599 613	169 420	1 535 803
Past Due (90 Days +)	111 238 301	9 326 514	91 357 681
Sub-Total	**119 315 759**	**10 117 125**	**95 962 233**
Less Allowance for Impairment	(110 344 915)	(9 388 987)	(86 786 057)
Total	**8 970 845**	**728 138**	**9 176 176**

	30 JUNE 2020	**30 JUNE 2019**
	R	**R**
Reconciliation of Allowance for impairment		
Opening Balance	206 519 959	169 105 729
Contribution to the provision	79 015 455	37 414 230
Bad Debts Written off	(6 729 015)	-
Balance at the end of the year	**278 806 399**	**206 519 959**

4 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (CONTINUED)

The Allowance for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months. Based on these payment trends, management is satisfied that no further credit provision is required in excess of the current allowance. The risk of non-payment is further mitigated due to the large customer base over which the outstanding receivable balance is spread.

	30 JUNE 2020 R	30 JUNE 2019 R
5 VAT RECEIVABLE		
Vat Receivable	22 225 804	16 232 837
Balance Previously Reported		15 034 552
Prior Period Adjustment - Refer to note 42.1		1 198 285
Total	**22 225 804**	**16 232 837**

VAT is accounted for on the payment/cash basis.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies

6 OPERATING LEASES

6.1 OPERATING LEASE ASSETS

Operating Lease Assets	**-**	**-**

The operating lease liability is derived from contracts where the municipality acts as the lessee in the agreement.

Opening Balance	-	7 355
Contribution during the year	-	(7 355)
Balance at the end of the year	**-**	**-**

The municipality will receive the following lease payments from contracts that have defined lease payments and terms.

Within 1 Year	-	-
	-	**-**

The lease payments are in respect of properties being lease out over a period ranging up to 2019.

6 OPERATING LEASES (CONTINUED)

As GRAP 13 only requires the disclosure for contracts with defined lease payments and lease terms.

All rental income generated on properties are included in Rental of Facilities and Equipment.

	30 JUNE 2020	30 JUNE 2019
7 INVESTMENT PROPERTY		
Investment Property - Carrying Value	**83 745 433**	**80 561 833**
Balance Previously Reported		43 966 400
Prior Period Adjustment - Refer to note 42.2		36 595 433

The movement in investment properties is reconciled as follows:

Opening Fair Value	**80 561 833**	**77 170 233**
Fair Value Adjustment	3 534 600	3 391 600
Disposals	(351 000)	-
Closing Carrying Value	**83 745 433**	**80 561 833**
Fair Value	83 745 433	80 561 833

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

The are no work in progress balances to be report on any financial period under review.

The fair value is based on the market value of the relevant property. The value is guided by the IVSC (International Valuation Standards Committee) in their definition of market value, as revised in 2000. This definition, which has been generally accepted by the South African property valuation profession reads as follows:

Market value is the estimated amount for which a property should exchange, on the date of valuation, between a willing buyer and a willing seller in an arm's length transaction, after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion.

8.1 PROPERTY PLANT AND EQUIPMENT

30 JUNE 2020	Cost					Accumulated Depreciation					Accumulated Impairment		
	Opening Balance R	Additions R	Disposals R	Transfers R	Closing Balance R	Opening Balance R	Additions R	Disposals R	Transfers R	Closing Balance R	Opening Balance R	Closing Balance R	Carrying Value R
Land and Buildings	**108 663 472**	**-**	**(1 600)**	**-**	**108 661 872**	**6 256 297**	**1 414 206**	**-**	**-**	**7 670 503**	**-**	**-**	**100 991 369**
Land	46 817 725	-	(1 600)	-	46 816 125	-	-	-	-	-	-	-	46 816 125
Buildings	61 845 746	-	-	-	61 845 746	6 256 297	1 414 206	-	-	7 670 503	-	-	54 175 244
Infrastructure	**476 655 537**	**-**	**(1 093 203)**	**49 331 127**	**524 893 461**	**294 948 594**	**21 045 387**	**(677 029)**	**-**	**315 316 952**	**1 723 950**	**1 723 950**	**207 852 559**
Roads and Stormwater	376 332 322	-	(641 645)	45 371 281	421 061 957	249 698 323	17 642 219	(521 676)	-	266 818 866	-	-	154 243 092
Electricity	96 168 126	-	(451 558)	3 959 847	99 676 415	43 544 151	3 143 625	(155 353)	-	46 532 424	-	-	53 143 991
Solid Waste	4 155 089	-	-	-	4 155 089	1 706 120	259 543	-	-	1 965 663	1 723 950	1 723 950	465 476
Community Assets	**127 525 242**	**-**	**-**	**-**	**127 525 242**	**21 020 569**	**4 182 013**	**-**	**-**	**25 202 582**	**-**	**-**	**102 322 660**
Cemetery	5 388 062	-	-	-	5 388 062	1 238 458	144 999	-	-	1 383 458	-	-	4 004 604
Recreation Grounds	25 303 911	-	-	-	25 303 911	5 314 317	1 010 407	-	-	6 324 725	-	-	18 979 187
Community Halls and Centres	96 833 269	-	-	-	96 833 269	14 467 793	3 026 606	-	-	17 494 399	-	-	79 338 869
Lease Assets	**11 311 542**	**-**	**(771 250)**	**(157 823)**	**10 382 469**	**3 324 329**	**2 164 611**	**(771 250)**	**(113 929)**	**4 603 760**	**-**	**-**	**5 778 709**
Computer Equipment	3 746 375	-	(771 250)	(157 823)	2 817 302	2 457 032	1 064 611	(771 250)	(113 929)	2 636 464	-	-	180 838
Plant and Machinery	5 324 886	-	-	-	5 324 886	649 060	822 094	-	-	1 471 154	-	-	3 853 732
Motor Vehicles	2 240 282	-	-	-	2 240 282	218 236	277 906	-	-	496 142	-	-	1 744 139
Other Assets	**55 174 942**	**5 541 154**	**(450 746)**	**157 823**	**60 423 173**	**34 623 459**	**1 757 911**	**(388 310)**	**113 929**	**36 106 989**	**-**	**-**	**24 316 184**
Plant and Machinery	42 570 297	496 000	(2 602)	-	43 063 695	27 372 279	990 548	(2 352)	-	28 360 475	-	-	14 703 220
Motor Vehicles	5 919 553	4 641 086	-	-	10 560 639	2 523 431	367 967	-	-	2 891 398	-	-	7 669 241
Computer Equipment	1 959 503	264 045	(360 363)	157 823	2 021 008	1 528 736	137 517	(305 307)	113 929	1 474 876	-	-	546 132
Furniture and Office Equipment	4 725 589	140 023	(87 780)	-	4 777 832	3 199 012	261 879	(80 651)	-	3 380 240	-	-	1 397 591
Work in Progress	208 026 772	58 208 383	-	(49 331 127)	**216 904 028**	-	**-**	**-**	**-**	**-**	802 718	**802 718**	**216 101 310**
Total	**987 357 507**	**63 749 537**	**(2 316 799)**	**-**	**1 048 790 245**	**360 173 247**	**30 564 128**	**(1 836 589)**	**-**	**388 900 786**	**2 526 668**	**2 526 668**	**657 362 791**

8.1 PROPERTY PLANT AND EQUIPMENT (CONTINUED)

30 JUNE 2019	Cost					Accumulated Depreciation					Accumulated Impairment		
	Opening Balance R	Additions R	Disposals R	Transfers R	Closing Balance R	Opening Balance R	Additions R	Disposals R	Transfers R	Closing Balance R	Opening Balance R	Closing Balance R	Carrying Value R
Land and Buildings	**107 728 514**	**-**	**(4 486)**	**939 443**	**108 663 472**	**4 860 880**	**1 395 417**	**-**	**-**	**6 256 297**	**-**	**-**	**102 407 175**
Land	46 822 211	-	(4 486)	-	46 817 725	-	-	-	-	-	-	-	46 817 725
Buildings	60 906 303	-	-	939 443	61 845 746	4 860 880	1 395 417	-	-	6 256 297	-	-	55 589 449
Infrastructure	**475 439 818**	**-**	**-**	**1 215 719**	**476 655 537**	**274 744 045**	**20 204 549**	**-**	**-**	**294 948 594**	**1 723 950**	**1 723 950**	**179 982 993**
Roads and Stormwater	376 332 322	-	-	-	376 332 322	232 856 324	16 841 999	-	-	249 698 323	-	-	126 633 999
Electricity	94 952 407	-	-	1 215 719	96 168 126	40 441 144	3 103 007	-	-	43 544 151	-	-	52 623 975
Solid Waste	4 155 089	-	-	-	4 155 089	1 446 577	259 543	-	-	1 706 120	1 723 950	1 723 950	725 019
Community Assets	**114 792 431**	**-**	**-**	**12 732 811**	**127 525 242**	**17 068 555**	**3 952 014**	**-**	**-**	**21 020 569**	**-**	**-**	**106 504 673**
Cemetery	5 388 062	-	-	-	5 388 062	1 093 459	144 999	-	-	1 238 458	-	-	4 149 603
Recreation Grounds	20 021 749	-	-	5 282 162	25 303 911	4 346 843	967 475	-	-	5 314 317	-	-	19 989 594
Community Halls and Centres	89 382 620	-	-	7 450 649	96 833 269	11 628 253	2 839 540	-	-	14 467 793	-	-	82 365 476
Lease Assets	**26 663 468**	**9 688 389**	**(1 995 331)**	**(23 044 984)**	**11 311 542**	**20 608 754**	**2 002 786**	**(1 995 331)**	**(17 291 881)**	**3 324 329**	**-**	**-**	**7 987 214**
Computer Equipment	3 618 484	2 123 222	(1 995 331)	-	3 746 375	3 316 873	1 135 489	(1 995 331)	-	2 457 032	-	-	1 289 343
Plant and Machinery	23 044 984	5 324 886	-	(23 044 984)	5 324 886	17 291 881	649 060	-	(17 291 881)	649 060	-	-	4 675 826
Motor Vehicles	-	2 240 282	-	-	2 240 282	-	218 236	-	-	218 236	-	-	2 022 045
Other Assets	**32 012 301**	**589 528**	**(471 871)**	**23 044 984**	**55 174 942**	**15 389 142**	**2 385 119**	**(442 684)**	**17 291 881**	**34 623 459**	**-**	**-**	**20 551 483**
Plant and Machinery	19 525 313	-	-	23 044 984	42 570 297	8 590 013	1 490 385	-	17 291 881	27 372 279	-	-	15 198 018
Motor Vehicles	5 919 553	-	-	-	5 919 553	2 106 127	417 304	-	-	2 523 431	-	-	3 396 122
Computer Equipment	2 263 577	146 647	(450 721)	-	1 959 503	1 825 303	126 513	(423 079)	-	1 528 736	-	-	430 767
Furniture and Office Equipment	4 303 858	442 881	(21 150)	-	4 725 589	2 867 699	350 918	(19 604)	-	3 199 012	-	-	1 526 577
Work in Progress	132 282 599	90 632 147	-	(14 887 974)	**208 026 772**	**-**	**-**	**-**	**-**	**-**	**802 718**	**802 718**	**207 224 054**
Total	**888 919 129**	**100 910 065**	**(2 471 687)**	**-**	**987 357 507**	**332 671 376**	**29 939 886**	**(2 438 014)**	**-**	**360 173 247**	**2 526 668**	**2 526 668**	**624 657 591**
Balance previously Reported	**903 372 827**	**96 612 099**	**(2 471 687)**	**-**	**997 513 239**	**335 287 119**	**27 519 038**	**(2 438 014)**	**-**	**360 368 143**	**-**	**-**	**637 145 096**
Prior Period Adjustment - Refer to note 42.3	(14 453 698)	4 297 966	-	-	(10 155 732)	(2 615 743)	2 420 847	-	-	(194 895)	2 526 668	2 526 668	(12 487 505)
Restated on 30 June 2019	**888 919 129**	**100 910 065**	**(2 471 687)**	**-**	**987 357 507**	**332 671 376**	**29 939 886**	**(2 438 014)**	**-**	**360 173 247**	**2 526 668**	**2 526 668**	**624 657 591**

		30 JUNE 2020 R	30 JUNE 2019 R
8.1	**PROPERTY PLANT AND EQUIPMENT**		

No property, plant and equipment is used as security for long term liabilities, except assets acquired in terms of a finance lease agreement as disclosed in note 11 to the financial statements

Included in Work in Progress on reporting date are projects amounting to R 4 537 691 (2019 - R 4 448 278) which are experiencing significant delays to complete. Insufficient available funding is the main contributor to these significant delays being experienced.

8.2	**PROPERTY, PLANT AND EQUIPMENT - CAPITALISED RESTORATION COST**		
	Capitalised Restoration Cost - Carrying Value	**14 168 152**	**14 708 867**
	The movement in capitalised restoration cost is reconciled as follows:		
	Opening Balance	14 708 867	13 957 867
	Additions	418 088	1 973 077
	Disposals	(23 944)	-
	Depreciation for the year	(934 859)	(725 311)
	Impairments for the year	-	(496 766)
	Closing Carrying Value	**14 168 152**	**14 708 867**
	Cost	28 990 714	28 596 569
	Accumulated Depreciation	(13 434 263)	(12 499 405)
	Accumulated Impairment	(1 388 298)	(1 388 298)

The municipality is required by relevant Environmental Legislation to rehabilitate landfill sites at the closure date of each respective site. The "Capitalised Restoration Cost" asset, which is capitalised in line with the requirements of GRAP 17 and iGRAP 2, relates to the initial estimate of costs involved to restore landfill sites under control of the Raymond Mhlaba Local Municipality.

Although this item is accounted for under the Property Plant and Equipment Standard (GRAP 17), the characteristics and nature of this item does not resemble that of normal PPE (such as the tangible nature of assets normally associated with PPE). Based on the aforementioned and in line with the requirements of GRAP 1, Capitalised Restoration Cost is disclosed as a separate item on the face of the Statement of Financial Position.

Refer to note 18 for more detail relating to this asset financed by way of a provision

			30 JUNE 2020 R	30 JUNE 2019 R
9	**HERITAGE ASSETS**			
	Heritage Assets - Carrying Value		**70 000**	**70 000**

The municipality holds heritage assets, but was unable to obtain fair values of such assets, as there are no active market for these assets. These assets are disclosed herein in terms of GRAP 103.17 which states that if an entity holds an asset that might be regarded as a heritage asset but which, on initial recognition, does not meet the recognition criteria of a heritage asset because it cannot be reliably measured, relevant and useful information about it shall be disclosed in the notes to the financial statements.

The following Heritage Assets were identified:

Dr John Knox Bokwe Graves	Alice	-	-
Fort Woburn	Alice	-	-
Nkonkobe Garden of Remembrance	Alice	-	-
Fort Armstrong	Balfour	-	-
Maqoma Great Place	Balfour	-	-
Ntsikana Grave	Balfour	-	-
Oliver Shreiner House	Balfour	-	-
Fort Beaufort Historical Museum	Fort Beaufort	-	-
Fort Fordyce Fallen Site	Fort Beaufort	-	-
Infantry Barracks	Fort Beaufort	-	-
Lake's Man Fort	Fort Beaufort	-	-
Lord Charles Somerset House	Fort Beaufort	-	-
Mansonic Lodge	Fort Beaufort	-	-
Martello Tower	Fort Beaufort	-	-
Mater Hill	Fort Beaufort	-	-
Military Museum	Fort Beaufort	-	-
Military Hospital	Fort Beaufort	-	-
Officers Quarters	Fort Beaufort	-	-
The Fort	Fort Beaufort	-	-
The Officers Mess	Fort Beaufort	-	-
Ecology Shrine	Hogsback	-	-
Fort Michel	Seymour	-	-
Eland Post	Seymour	-	-
Christmas Day Massacre Memorial	Woburn Village	-	-
Tyali's Great Place	Woburn Village	-	-
The Presidency Sundial	Woburn Village	-	-
Nontetha's Grave	Middledrift	-	-
Monument	Adelaide	35 000	35 000
Monument	Bedford	35 000	35 000
Total		**70 000**	**70 000**

		30 JUNE 2020 R	30 JUNE 2019 R
10	**INTANGIBLE ASSETS**		
	Intangible Assets - Carrying Value	-	-
	Opening Balance	-	1 187
	Amortisation for the year	-	(1 187)
	Closing Carrying Value	-	-
	Cost	62 468	62 468
	Accumulated Depreciation	62 468	62 468

Intangible Assets consist only out of software and licenses

No intangible asset were assessed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.

11	**LONG-TERM LIABILITIES**		
	Finance Lease Liabilities	6 150 092	8 377 899
	Sub-Total	**6 150 092**	**8 377 899**
	Less: Current portion of Long-term Liabilities	**1 566 878**	**2 227 808**
	Finance Lease Liabilities	1 566 878	2 227 808
	Total	**4 583 214**	**6 150 092**
	Balance Previously Reported		**6 154 311**
	Prior Period Adjustment - Refer to note 42.6		(4 219)
	Restated Balance on 30 June 2019		**6 150 092**

Long Term Liabilities were fully utilised to purchase property plant and equipment. No loans were unspent and no cash were set aside to finance future instalments.

11 LONG-TERM LIABILITIES (CONTINUED)

Finance Lease Liabilities

Finance Lease Liabilities, disclosed at amortised cost, consist out of the following agreements:

Nr	Institution	Interest Rate	Redemption Date
1	Aloe Office - 17 Laptops	30.65%	31/Mar/20
2	Aloe Office - 65 Xerox Machines	16.54%	31/Aug/20
3	Absa Vehicle Management Solutions - 14 Vehicles	28.32%	28/Aug/21

After the lease agreement expires, lease payments will continue on a month to month basis until the contract is renewed or cancelled. Equipment will be returned to the supplier the contract is cancelled. Assets relating to redeemed contract were still in possession of municipality on 30 June 2020 and 30 June 2019.

Assets and liabilities associated with finance lease contracts:

Nr	Carrying Value of Asset 30 JUNE 2020 R	Carrying Value of Asset 30 JUNE 2019 R	Carrying Value of Liability 30 JUNE 2020 R	Carrying Value of Liability 30 JUNE 2019 R
1	-	43 894	-	52 377
2	180 838	1 245 449	231 265	1 394 248
3	5 597 871	6 697 871	5 918 827	6 931 274
	5 778 709	**7 987 214**	**6 150 092**	**8 377 900**

The carrying value of assets, which are pledged as security for outstanding liabilities, are included in the property, plant and equipment carrying value in note 8.1.

		30 JUNE 2020 R	30 JUNE 2019 R
11	**LONG-TERM LIABILITIES (CONTINUED)**		
	Finance Lease Liabilities are payable as follows:		
	Payable within one year	3 091 787	4 352 891
	Payable within two to five years	4 839 172	7 930 959
	Total amount payable	**7 930 959**	**12 283 851**
	Less: Outstanding Future Finance Charges	(1 780 867)	(3 905 951)
	Present value of finance lease liabilities	**6 150 092**	**8 377 899**
12	**CONSUMER DEPOSITS**		
	Electricity	2 473 837	2 379 437
	Total	**2 473 837**	**2 379 437**
	The carrying value of consumer deposits are in line with its fair value. Outstanding balances does not attract any interest.		
13	**PAYABLES FROM EXCHANGE TRANSACTIONS**		
	Trade Payables	259 291 994	211 842 165
	Balance Previously Reported		201 663 035
	Prior Period Adjustment - Refer to note 42.5		10 179 130
	Debtors with credit balances	17 425 422	5 165 718
	Unidentified Deposits	33 094 201	15 871 208
	Sundry Creditors	1 375 051	4 803 830
	Total	**311 186 668**	**237 682 920**
	Payables are being recognised net of any discounts received		
	As prescribed by the MFMA, all payables are payable within 30 days. This credit period granted is considered to be in line with industry norms. The carrying value of payables are in line with its fair value.		
	Payables are not secured.		
14	**UNSPENT CONDITIONAL GOVERNMENT GRANTS**		
	National Government	824 481	1 923
	Provincial Government	2 543 519	2 731 038
	Total	**3 368 000**	**2 732 961**

		30 JUNE 2020 R	30 JUNE 2019 R
14	**UNSPENT CONDITIONAL GOVERNMENT GRANTS**		

Detail reconciliations of all grants received and grant conditions met are included in note . Unspent grant balances are recognised to the extent that conditions are not yet met.

Due to the short term nature of unspent grant balances, the carrying value approximates the fair value of the unspent conditional grants at year-end.

15 CURRENT EMPLOYEE BENEFITS

Current Portion of Post Retirement Benefits	704 000	626 167
Current Portion of Long-Service Provisions	1 375 000	539 217
Bonuses	3 045 868	2 732 705
Staff Leave	16 630 910	10 866 298
Total	**21 755 777**	**14 764 387**

The movement in current employee benefits are reconciled as follows:

Bonuses

Opening Balance	2 732 705	2 605 007
Contribution during the year	6 932 289	6 344 523
Payments made	(6 619 126)	(6 216 825)
Closing Balance	**3 045 868**	**2 732 705**

Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at period end represent to portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

Staff Leave

Opening Balance	10 866 298	10 005 912
Contribution during the year	6 926 729	1 724 162
Payments made	(1 162 117)	(863 777)
Closing Balance	**16 630 910**	**10 866 298**

		30 JUNE 2020 R	30 JUNE 2019 R
15	**CURRENT EMPLOYEE BENEFITS**		
	Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or in the event of encashment. There is no possibility of reimbursement.		
16	**PROVISIONS**		
	Current Portion of Rehabilitation Provision - Landfill Sites	11 043 379	10 605 876
	Total	**11 043 379**	**10 605 876**
	Refer to note 18 for more detail relating to the provision.		
17	**EMPLOYEE BENEFITS**		
	Post Retirement Medical Benefits	22 674 000	23 943 164
	Long Service Awards	8 494 000	7 498 477
	Sub-Total	**31 168 000**	**31 441 641**
	Less: Current portion of Employee Benefits	**2 079 000**	**1 165 384**
	Post Retirement Medical Benefits	704 000	626 167
	Long Service Awards	1 375 000	539 217
	Total	**29 089 000**	**30 276 257**
17.1	**Post Retirement Medical Benefits**		
	The movement in Post Retirement Medical Benefits are reconciled as follows:		
	Opening Balance	23 943 164	28 756 773
	Contribution during the year	3 766 723	4 809 076
	Current Service Cost	1 502 275	2 032 861
	Interest Cost	2 264 448	2 776 215
	Payments made	(652 529)	(670 010)
	Actuarial Gain	(4 383 358)	(8 952 675)
	Total balance at year-end	**22 674 000**	**23 943 164**
	Less Current Portion	704 000	626 167
	Total	**21 970 000**	**23 316 997**
	The Post Retirement Medical Benefit Plan is a defined benefit plan, of which the members are made up as follows:		

17 EMPLOYEE BENEFITS (CONTINUED)

	30 JUNE 2020	30 JUNE 2019
In-service members	184	178
Continuation members	15	15
Total	**199**	**193**

	30 JUNE 2020 R	30 JUNE 2019 R
The liability in respect of past service has been estimated to be as follows:		
In-service members	15 680 000	16 828 356
Continuation members	6 994 000	7 114 808
Total Unfunded Liability	**22 674 000**	**23 943 164**

The liability in respect of past service has been estimated to be as follows for years prior to the comparative year:

	30 JUNE 2018 R	30 JUNE 2017 R
In-service members	22 301 865	22 626 444
Continuation members	6 454 908	5 475 048
Total Unfunded Liability	**28 756 773**	**28 101 492**

Experience adjustments were calculated as follows:

	30 JUNE 2020 R m	30 JUNE 2019 R m	30 JUNE 2018 R m
Liabilities: (Gain)/Loss	0.969	(6.165)	(1.065)
Assets: Gain/(Loss)	-	-	-

The entity was established on 6 August 2016. No further comparative information (other than the items disclosed above) relating to historical liabilities and experience adjustments are available for disclosure as required by GRAP 25.

The municipality contributes to the following medical schemes on a monthly basis:

Bonitas
LA Health
Hosmed
Samwumed
Keyhealth

17 EMPLOYEE BENEFITS (CONTINUED)

	30 JUNE 2020	30 JUNE 2019
Key Actuarial Assumptions used are as follows:		
Interest Rates		
Discount rate	10.77%	9.58%
Health Care Cost Inflation Rate	6.78%	7.00%
Net Effective Discount Rate	3.74%	2.41%
Maximum Subsidy Inflation Rate	4.71%	4.88%
Net-of-maximum-subsidy-inflation discount rate	5.79%	4.49%

The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping"

Mortality Rates

The PA 90 ultimate table, rated down by 1 (2019 - 1) year of age was used by the actuaries.

Average Retirement Age

It has been assumed that in-service members will retire at age 62 (2019 - 62), which then implicitly allows for expected rates of early and ill-health retirement.

Last Valuation

The last valuation was performed on 15 August 2020.

Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

Sensitivity Analysis - Liability at year-end

Assumption	In-service members (Rm)	Continuation members (Rm)	Total liability (Rm)	% change
Liability	15.680	6.994	22.674	
Health care inflation				
+ 1%	18.508	7.641	26.149	15%
- 1%	13.330	4.434	17.764	-13%
Discount rate				
+ 1%	13.322	6.458	19.780	-13%
- 1%	18.672	7.622	26.294	16%
Post-retirement mortality				
+ 1 year	15.291	6.762	22.053	-3%
- 1 year	16.063	7.228	23.291	3%
Average retirement age				
- 1 year	17.256	6.994	24.250	7%
Continuation of membership at retirement				
- 10%	13.677	6.994	20.671	-9%

17 EMPLOYEE BENEFITS (CONTINUED)

Sensitivity Analysis - Future Service and Interest Cost (Next Financial Year)

Assumption	Current Service Cost (Rm)	Interest Cost (Rm)	Total Cost (Rm)	% change
Future Cost	1.253	2.405	3.658	
Health care inflation				
+ 1%	1.505	2.779	4.284	17%
- 1%	1.043	2.092	3.135	-14%
Discount rate				
+ 1%	1.050	2.288	3.338	-9%
- 1%	1.512	2.535	4.047	11%
Post-retirement mortality				
+ 1 year	1.221	2.338	3.559	-3%
- 1 year	1.282	2.471	3.753	3%
Average retirement age				
- 1 year	1.294	2.575	3.869	6%
Continuation of membership at retirement				
- 10%	1.097	2.189	3.286	-10%

17.2 Long Service Awards	**30 JUNE 2020 R**	**30 JUNE 2019 R**
The movement in Long Service Awards are reconciled as follows:		
Opening Balance	7 498 477	6 933 890
Contribution during the year	1 372 652	1 216 017
Current Service Cost	786 688	675 131
Interest Cost	585 964	540 886
Payments made	(327 224)	(561 998)
Actuarial Loss/(Gain)	(49 905)	(89 432)
Total balance at year-end	**8 494 000**	**7 498 477**
Less Current Portion	1 375 000	539 217
Total	**7 119 000**	**6 959 260**

17 EMPLOYEE BENEFITS (CONTINUED)

The following members are eligible for long service bonuses:

	30 JUNE 2020	30 JUNE 2019
In-service members	**422**	**323**

The liability in respect of past service has been estimated to be as follows:

	30 JUNE 2020 R	30 JUNE 2019 R
In-service members	8 494 000	7 498 477
Total Unfunded Liability	**8 494 000**	**7 498 477**

The liability in respect of past service has been estimated to be as follows for years prior to the comparative year:

	30 JUNE 2018 R	30 JUNE 2017 R
In-service members	6 933 890	6 196 501
Total Unfunded Liability	**6 933 890**	**6 196 501**

Experience adjustments were calculated as follows:

	30 JUNE 2020 R m	30 JUNE 2019 R m	30 JUNE 2018 R m
Liabilities: (Gain)/Loss	0.466	0.259	0.505
Assets: Gain/(Loss)	-	-	-

The entity was established on 6 August 2016. No further comparative information (other than the items disclosed above) relating to historical liabilities and experience adjustments are available for disclosure as required by GRAP 25.

Key Actuarial Assumptions used are as follows:

Interest Rates

Discount rate	7.08%	8.10%
General Salary Inflation (long-term)	3.82%	5.53%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	3.14%	2.44%

17 EMPLOYEE BENEFITS (CONTINUED)

The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping"

Last Valuation

The last valuation was performed on 15 August 2020.

Average Retirement Age

It has been assumed that in-service members will retire at age 62 (2019 - 62), which then implicitly allows for expected rates of early and ill-health retirement.

Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

Sensitivity Analysis - Liability at year-end

Assumption	Total liability (Rm)	% change
Liability	8.494	
General salary inflation		
+ 1%	8.981	6%
- 1%	8.050	-6%
Discount rate		
+ 1%	8.034	-6%
- 1%	9.009	7%
Average retirement age		
+ 2 years	9.224	9%
- 2 years	7.679	-10%
Withdrawal rates		
x 200 %	6.891	-19%
x 50 %	9.585	-19%

17 EMPLOYEE BENEFITS (CONTINUED)

Sensitivity Analysis - Future Service and Interest Cost (Next Financial Year)

Assumption	Current Service Cost (Rm)	Interest Cost (Rm)	Total Cost (Rm)	% change
Future Cost	1.027	0.554	1.581	
General salary inflation				
+ 1%	1.104	0.588	1.692	7%
- 1%	0.959	0.522	1.481	-6%
Discount rate				
+ 1%	0.966	0.595	1.561	-1%
- 1%	1.097	0.507	1.604	1%
Average retirement age				
+ 2 years	1.089	0.604	1.693	7%
- 2 years	0.948	0.497	1.445	-9%
Withdrawal rates				
x 200 %	0.762	0.440	1.202	-24%
x 50 %	1.217	0.631	1.848	17%

17.3 Other Pension Benefits

Defined Benefit Plans	30 JUNE 2020 R	30 JUNE 2019 R
Council contributes to the following defined benefit plans:		
LA Retirement Fund (former Cape Joint Pension Fund)	11 225 065	9 468 919
The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2019 revealed that the fund is in an sound financial position with a funding level of 100.7% (30 June 2018 - 103.7%).		
Total	**11 225 065**	**9 468 919**

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

17 EMPLOYEE BENEFITS (CONTINUED)

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Pension Fund is a Multi Employer fund defined as a defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

	30 JUNE 2020 R	30 JUNE 2019 R
Defined Benefit Plans		
Council contributes to the following defined benefit plans:		
Government Employees Pension Fund	21 791	21 577
SALA Pension Fund	1 708 171	1 620 734
SAMWU National Provident Fund	1 564 079	1 611 519
Municipal Workers Fund	463 583	388 600
Total	**3 757 624**	**3 642 430**

The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

18 NON-CURRENT PROVISIONS

Rehabilitation Provision - Landfill Sites	33 995 420	32 132 688
Total	**33 995 420**	**32 132 688**

		30 JUNE 2020 R	30 JUNE 2019 R
18	**NON-CURRENT PROVISIONS (CONTINUED)**		
	The movement in Rehabilitation Provision - Landfill Sites are reconciled as follows:		
	Opening Balance	42 738 565	39 163 188
	Contribution during the year	2 300 234	3 575 377
	Additions	418 088	1 973 077
	Disposals and Reductions	(71 170)	-
	Interest Cost	1 953 316	1 602 300
	Total balance at year-end	**45 038 799**	**42 738 565**
	Less Current Portion	11 043 379	10 605 876
	Total	**33 995 420**	**32 132 688**

The timing of the outflow of resources relating this provision is uncertain, but management expects the timing to be in line with the legal requirements subsequent to the expected closure date of the site as indicated below.

The total obligation at period-end can be attributed to the following sites:

Site	**Expected Closure Date**		
Alice	2050	17 655 743	16 520 559
Middledrift	2100	4 849 875	4 627 612
Seymour	2028	4 228 928	4 018 093
Adelaide	2018	11 043 379	10 605 876
Bedford	2021	7 260 874	6 966 425
Total		**45 038 799**	**42 738 565**

Discount rates specific to the nature of the provision is utilised to calculate the effect of time value of money. The discount rate is based on the Earthworks Index as published by Statssa which increased by 4.57% (2019 - 4.09%) during the year under review.

Environmental Specialists were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.

		30 JUNE 2020	30 JUNE 2019
18	**NON-CURRENT PROVISIONS (CONTINUED)**		
	The estimated area per site to be rehabilitated at year end were as follows (Rehabilitation area - m²):		
	Alice	32 031	31 524
	Middledrift	4 836	4 836
	Seymour	3 317	3 317
	Adelaide	20 553	20 553
	Bedford	14 477	14 477
	The cost of rehabilitation per square meter is based on the current cost of construction at each reporting period. The cost per square meter were estimated as follows (R/m²):		
	Alice	551	524
	Middledrift	1 003	957
	Seymour	1 275	1 211
	Adelaide	537	516
	Bedford	502	481

		30 JUNE 2020 R	30 JUNE 2019 R
19	**COMMUNITY WEALTH**		
	Accumulated Surplus	427 812 086	448 280 772
	Total	**427 812 086**	**448 280 772**
20	**PROPERTY RATES**		
	Total Property Rates	108 653 180	73 734 664
	Total	**108 653 180**	**73 734 664**
	Property rate levied are based on the following rateable valuations:		
	Agricultural	2 289 146 774	1 302 058 300
	Business, Commercial and Industrial	486 369 000	916 681 054
	Government	3 649 782 773	2 062 945 375
	Municipal	206 932 452	15 440 800
	Public Benefit Organisations (Including Churches and Place of Worship)	177 674 739	65 116 300
	Public Service Infrastructure	21 655 850	17 703 650
	Residential	1 873 918 926	1 609 301 900
	Vacant Land	80 128 850	55 924 200
	Properties used for Multi Purpose	37 910 000	15 848 600
	Sectional Title	31 895 850	31 891 000
	Total Valuation	**8 855 415 214**	**6 092 911 179**

20 PROPERTY RATES (CONTINUED)

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2019.

The first R 15 000 of the valuation on properties used only for residential purposes are exempted from property rates in terms of the Property Rates Act.

The following rates are applicable to the valuations above:

	30 JUNE 2020	30 JUNE 2019
Agriculture	0.008370 c / R	0.008374 c / R
Business, Commercial and Industrial	0.017250 c / R	0.017250 c / R
Government	0.025120 c / R	0.025122 c / R
Guest House/Hotel	Not Applicable	0.017250 c / R
Properties used for multi purpose	Based on Predominant Use	0.0083 to 0.0101 c / R
Education	Not Applicable	0.025122 c / R
Public Benefit Organization (Including Churches and Place of Worship)	Exempt	Exempt
Public service infrastructure	0.002090 c / R	0.002094 c / R
Residential (Small holding and Privately Owned Town)	0.008370 c / R	0.008374 c / R
Rural communal land	Not Applicable	0.025122 c / R
Vacant land - residential	Not Applicable	0.01060 c / R
Vacant land - commercial	Not Applicable	0.01325 c / R
Vacant land	0.011930 c / R	-
Sectional Title	0.008374 c / R	0.006699 c / R
Municipal properties	Exempt	Exempt
Privately Owned Town (Open space)	Not Applicable	0.00084 c / R

Rates are levied annually and monthly. Monthly rates are payable by the 25th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but in terms of Council's own policy opted not to collect it.

		30 JUNE 2020 R	30 JUNE 2019 R
21	**GOVERNMENT GRANTS AND SUBSIDIES**		
	Unconditional Grants - National Government	174 140 000	156 192 000
	Equitable Share	174 140 000	156 192 000
	Conditional Grants - National Government	65 680 606	51 472 935
	Municipal Finance Management Grant	3 000 000	3 870 000
	Municipal Infrastructure Grant	43 431 861	38 486 000
	Municipal Systems Improvement Grant	-	1 055 000
	Integrated National Electrification Programme (INEP)	11 465 731	1 398 077
	Energy Efficiency and Demand Side Management Grant	4 000 000	-
	Expanded Public Works Program	2 766 000	1 752 000
	Municipal Disaster Relief Grant	456 711	-
	National Treasury Audit Fees Grant 1%	482 474	4 524 980
	LG-SETA	77 828	386 878
	Conditional Grants - Provincial Government	22 703 615	58 051 611
	Office of the Premier	19 554 352	56 288 611
	Housing Disaster Grant	1 499 263	-
	Library Grant	1 650 000	1 570 000
	DDEAT - Mining Projects	-	193 000
	Total	**262 524 221**	**265 716 547**
	Disclosed as:		
	Government Grants and Subsidies - Capital	69 466 793	95 181 788
	Government Grants and Subsidies - Operating	193 057 427	170 534 759
	Total	**262 524 221**	**265 716 547**
	Grants per Vote (MFMA Sec 123 (c)):		
	Equitable share	174 140 000	156 192 000
	Budget and Treasury Office	3 560 302	9 836 858
	Community Services	1 650 000	1 570 000
	Technical Services	83 173 918	98 117 688
	Total	**262 524 221**	**265 716 547**

		30 JUNE 2020 R	30 JUNE 2019 R
21	**GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)**		
	The movements per grant can be summarised as follows:		
21.01	**Equitable Share**		
	Grants Received	174 140 000	156 192 000
	Transferred to Revenue - Operating	(174 140 000)	(156 192 000)
	Closing Unspent Balance	-	-
	The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.		
21.02	**Municipal Finance Management Grant**		
	Grants Received	3 000 000	3 870 000
	Transferred to Revenue - Operating	(3 000 000)	(3 870 000)
	Closing Unspent Balance	-	-
	To promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA).		
21.03	**LG-SETA**		
	Grants Received	77 828	386 878
	Transferred to Revenue - Operating	(77 828)	(386 878)
	Closing Unspent Balance	-	-
	The LG SETA Grant is utilised to cover expenditure relating to training.		
21.04	**Municipal Systems Improvement Grant**		
	Grants Received	-	1 055 000
	Transferred to Revenue - Operating	-	(1 055 000)
	Closing Unspent Balance	-	-
	To assist the Municipality in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act (MSA) and related legislation, policies and local government turnaround strategy.		

		30 JUNE 2020 R	30 JUNE 2019 R
21	**GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)**		
21.05	**Municipal Infrastructure Grant**		
	Grants Received	39 232 000	38 486 000
	Transferred to Revenue - Capital	(40 360 808)	(37 302 099)
	Transferred to Revenue - Operating	(3 071 053)	(1 183 901)
	Closing Unspent Balance	**(4 199 861)**	**-**
	The Grant is intended to provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.		
21.06	**Integrated National Electrification Programme (INEP)**		
	Opening Balance	1 923	-
	Grants Received	12 000 000	1 400 000
	Transferred to Revenue - Capital	(5 551 633)	(1 398 077)
	Transferred to Revenue - Operating	(5 914 098)	-
	Closing Unspent Balance	**536 192**	**1 923**
	The INEP grant is a conditional grant to provide capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings and the installation of bulk infrastructure.		
21.07	**Energy Efficiency and Demand Side Management Grant**		
	Opening Balance	-	-
	Grants Received	4 000 000	-
	Transferred to Revenue - Capital	(4 000 000)	-
	Closing Unspent Balance	**-**	**-**
	The Energy Efficiency and Demand-side Management funding program is aimed at promoting the implementation of more energy-efficient technologies, processes and behaviours amongst all electricity consumers.		
21.08	**Expanded Public Works Program**		
	Grants Received	2 766 000	1 752 000
	Transferred to Revenue - Operating	(2 766 000)	(1 752 000)
	Closing Unspent Balance	**-**	**-**

		30 JUNE 2020 R	30 JUNE 2019 R
21	**GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)**		
	To incentivise municipalities to increase job creation efforts in infrastructure, environment and culture programmes through the use of labour-intensive methods and the expansion of job creation in line with the Expanded Public Works Programme (EPWP) guidelines.		
21.09	**Municipal Disaster Relief Grant**		
	Grants Received	745 000	-
	Transferred to Revenue - Operating	(456 711)	-
	Closing Unspent Balance	**288 289**	**-**
	The grant was allocated to the municipality to provide immediate relief to the required needs arising from the COVID 19 pandemic.		
21.10	**National Treasury Audit Fees Grant**		
	Grants Received	482 474	4 524 980
	Transferred to Revenue - Operating	(482 474)	(4 524 980)
	Closing Unspent Balance	**-**	**-**
	This grant is received from National Treasury to assist municipalities with their outstanding audit fees payable to the Auditor General of South Africa.		
21.11	**Library Grant**		
	Grants Received	1 650 000	1 570 000
	Transferred to Revenue - Operating	(1 650 000)	(1 570 000)
	Closing Unspent Balance	**-**	**-**
	To provide the municipality with finance for the operation and administration of Community Libraries.		
21.12	**Office of the Premier**		
	Opening Balance	1 696 419	-
	Grants Received	17 858 095	57 985 030
	Transferred to Revenue - Capital	(19 554 352)	(56 288 611)
	Closing Unspent Balance	**162**	**1 696 419**
	This grant is allocated to municipalities directly from the Office of the Premier. The fund were utilised in two projects namely the Alice Revitalisation Project and the Green Energy Farming Project.		

		30 JUNE 2020 R	30 JUNE 2019 R
21	**GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)**		
21.13	**Housing Disaster Grant**		
	Grants Received	3 008 000	-
	Transferred to Revenue - Operating	(1 499 263)	-
	Closing Unspent Balance	**1 508 737**	**-**
	The grant is aimed at providing immediate relief in the event of a disaster.		
21.14	**Other Provincial Allocations**		
	Opening Balance	1 034 620	957 620
	Grants Received	-	270 000
	Transferred to Revenue - Capital	-	(193 000)
	Closing Unspent Balance	**1 034 620**	**1 034 620**
	Other Provincial Allocations includes the following grants: - DDEAT Mining - Quarry Mining Grant - ECDLGTA - Greening and Beautification - LSDF - Middledrift Spatial Development Framework		
21.15	**Total Grants**		
	Opening Balance	2 732 961	957 620
	Grants Received	258 959 398	267 491 888
	Transferred to Revenue - Capital	(69 466 793)	(95 181 788)
	Transferred to Revenue - Operating	(193 057 427)	(170 534 759)
	Closing Unspent Balance	**(831 862)**	**2 732 961**
22	**FINES**		
	Traffic Fines	79 840	82 650
	Total	**79 840**	**82 650**
23	**ACTUARIAL GAINS**		
	Long Service Awards	49 905	89 432
	Post Retirement Medical Benefits	4 383 358	8 952 675
	Total	**4 433 263**	**9 042 106**

		30 JUNE 2020 R	30 JUNE 2019 R
24	**FAIR VALUE ADJUSTMENTS**		
	Investment Property	3 534 600	3 391 600
	Total	**3 534 600**	**3 391 600**
25	**SERVICE CHARGES**		
	Electricity Revenue	68 404 877	66 368 730
	Refuse Removal Revenue	21 661 359	19 805 940
	Total Revenue	90 066 236	86 174 669
	Less: Rebates	(5 994 947)	(5 881 545)
	Refuse Removal Revenue	(5 994 947)	(5 881 545)
	Total	**84 071 288**	**80 293 124**

Rebates can be defined as any income that the Municipality is entitled to levy, but in terms of Council's own policy opted not to collect it.

26	**RENTAL OF FACILITIES AND EQUIPMENT**		
	Hall Rental	83 036	139 081
	Municipal Houses	55 608	62 393
	Equipment	10 874	16 173
	Properties	89 649	92 557
	Billboards	45 738	24 748
	Total	**284 905**	**334 952**
27	**INTEREST EARNED - EXTERNAL INVESTMENTS**		
	Short-Term Investments and Current Accounts	3 341 298	2 682 968
	Total	**3 341 298**	**2 682 968**
28	**INTEREST EARNED - OUTSTANDING DEBTORS**		
	Interest Earned - Service Debtors	8 372 159	7 852 938
	Interest Earned - Penalty Interest on Property Rates	18 694 990	16 034 317
	Total	**27 067 150**	**23 887 256**
29	**LICENCES AND PERMITS**		
	Learners and Drivers Testing	3 565 198	4 391 828
	Total	**3 565 198**	**4 391 828**

		30 JUNE 2020 R	30 JUNE 2019 R
30	**OTHER INCOME**		
	Connections - Electricity	123 968	86 660
	Building Plan Fees	136 357	149 273
	Burial and Cemetery fees	62 616	39 380
	Commission Received	312 121	190 901
	Discount Received	123 513	886 513
	Tender Deposits	201 392	60 261
	Valuation Certificates	21 933	43 161
	Unknown Receipts Recognised as Revenue	2 593 387	4 680 742
	Sundry Income	1 498 003	787 669
	Total	**5 073 290**	**6 924 560**

Sundry income represents a wide range of revenue items which is not considered material to warrant separate disclosure in the financial statements.

31	**EMPLOYEE RELATED COSTS**		
	Basic Salaries and Wages	119 166 419	104 140 774
	Pension and UIF Contributions	15 084 233	13 958 283
	Medical Aid Contributions	6 008 235	5 644 822
	Overtime	5 278 185	5 495 847
	Annual Bonus	6 932 289	6 344 523
	Motor Vehicle Allowance	6 563 122	5 371 113
	Housing Allowances	728 973	591 021
	Other benefits and allowances	3 454 018	3 344 175
	Payments in lieu of leave	6 926 729	1 724 162
	Long service awards	786 688	675 131
	Post Retirement Medical Benefits	1 502 275	2 032 861
	Total	**172 431 167**	**149 322 711**

Remuneration of Key Personnel

All Managers are appointed on a 5-year contract. There are no post-employment or termination benefits payable to them at the end of the contract period. The benefits are as follows:

	Remuneration of the Municipal Manager		
	Basic Salary	1 033 857	856 121
	Pension and UIF Contributions	1 785	1 785
	Motor Vehicle Allowance	547 641	526 217
	Other benefits and allowances	27	105
	Total	**1 583 310**	**1 384 228**

		30 JUNE 2020 R	30 JUNE 2019 R
31	**EMPLOYEE RELATED COSTS (CONTINUED)**		
	Remuneration of the Chief Financial Officer		
	Basic Salary	452 614	807 820
	Pension and UIF Contributions	1 041	1 785
	Motor Vehicle Allowance	27 565	54 259
	Housing Allowances	110 259	216 995
	Cellphone Allowance	27 565	54 259
	Payments in lieu of leave	301 713	-
	Other benefits and allowances	27	105
	Total	**920 784**	**1 135 222**
	Remuneration of the Acting Chief Financial Officer		
	Acting Allowance	9 165	-
	Total	**9 165**	**-**
	Remuneration of the Technical Services Manager		
	Basic Salary	734 847	-
	Pension and UIF Contributions	1 636	-
	Motor Vehicle Allowance	256 812	-
	Housing Allowances	154 086	-
	Other benefits and allowances	103	-
	Total	**1 147 483**	**-**
	Remuneration of the Acting Technical Services Manager		
	Acting Allowance	16 085	128 679
	Total	**16 085**	**128 679**
	Remuneration of the Corporate Services Manager		
	Basic Salary	652 469	129 617
	Pension and UIF Contributions	1 487	446
	Medical Aid Contributions	145 917	14 144
	Motor Vehicle Allowance	243 195	19 448
	Housing Allowances	-	24 736
	Cellphone Allowance	-	12 376
	Total	**1 043 067**	**200 767**
	Remuneration of the Acting Corporate Services Manager		
	Acting Allowance	1 365	16 383
	Total	**1 365**	**16 383**

		30 JUNE 2020 R	30 JUNE 2019 R
31	**EMPLOYEE RELATED COSTS (CONTINUED)**		
	Remuneration of the Strategic and LED Manager		
	Basic Salary	970 114	508 110
	Pension and UIF Contributions	1 785	1 041
	Motor Vehicle Allowance	279 782	160 794
	Other benefits and allowances	27	61
	Total	**1 251 708**	**670 007**
	The Strategic and LED Manager acted as CEO of Raymond Mhlaba Economic Development Agency during the year under review.		
	Remuneration of the Community Services Manager		
	Basic Salary	802 253	411 634
	Pension and UIF Contributions	1 785	1 041
	Motor Vehicle Allowance	279 782	160 794
	Housing Allowances	167 869	96 477
	Other benefits and allowances	111	61
	Total	**1 251 800**	**670 007**
	Remuneration of the Acting Community Services Manager		
	Acting Allowance	-	22 680
	Total	**-**	**22 680**
32	**REMUNERATION OF COUNCILLORS**		
	Councillor Allowance	16 487 830	15 806 460
	Cell Phone Allowance	2 035 200	1 922 369
	Total	**18 523 030**	**17 728 829**
	Mayor	924 641	884 350
	Speaker	735 442	746 413
	Chief Whip	708 443	688 303
	Executive Committee Members	3 212 698	3 341 834
	Councillors	12 521 805	11 678 929
	Traditional Leaders	420 000	389 000
	Total	**18 523 030**	**17 728 829**
	In-kind Benefits		
	The Executive Mayor, Speaker and Executive committee members are full-time. They are provided with secretarial support and an office each at the cost of the Council.		

		30 JUNE 2020 R	30 JUNE 2019 R
33	**DEBT IMPAIRMENT**		
	Receivables from exchange transactions	28 574 610	24 774 989
	Receivables from non-exchange transactions	79 015 455	37 414 230
	Total	**107 590 065**	**62 189 219**
34	**DEPRECIATION AND AMORTISATION**		
	Property, Plant and Equipment	30 564 128	29 939 886
	Intangible Assets	-	1 187
	Property, Plant and Equipment - Capitalised Restoration Cost	934 859	725 311
	Sub-Total	**31 498 986**	**30 666 383**
	Less: Capitalised to Property Plant and Equipment	-	(294 824)
	Total	**31 498 986**	**30 371 560**
35	**IMPAIRMENTS**		
	Property, Plant and Equipment - Capitalised Restoration Cost	-	496 766
	Total	**-**	**496 766**
36	**REPAIRS AND MAINTENANCE**		
	The Accounting Standards Board (ASB) issued a FAQ during the prior year which states that the line item "Repairs and Maintenance" is no longer permitted in the Statement of Financial Performance, and that the said expenditure should be reclassified by it's nature. Accordingly, repairs and maintenance are now included in the relevant line item based on nature.		
	However, In line with the requirements of GRAP 17, the repairs and maintenance related expenditure identified by the municipality can still be attributed to the following asset classes:		
	Furniture, Office Equipment and Tools	331 986	466 781
	Buildings and Commonage	834 904	842 472
	Plant, Machinery and Vehicles	1 284 690	2 268 211
	Infrastructure: Roads and Stormwater	208 559	246 837
	Infrastructure: Electricity	19 680 473	17 836 526
	Total	**22 340 611**	**21 660 827**

		30 JUNE 2020 R	30 JUNE 2019 R
37	**FINANCE CHARGES**		
	Finance Lease Liabilities	2 125 084	2 161 810
	Post Retirement Medical Benefits	2 264 448	2 776 215
	Long Service Awards	585 964	540 886
	Rehabilitation Provision - Landfill Sites	1 953 316	1 602 300
	Creditors	17 065 685	14 694 064
	Total	**23 994 497**	**21 775 275**
38	**BULK PURCHASES**		
	Electricity	65 723 227	59 305 079
	Total	**65 723 227**	**59 305 079**
39	**TRANSFERS AND GRANTS**		
	Indigent Subsidy (Eskom Consumers)	5 911 401	5 244 695
	Indigent Subsidy (Paraffin Hampers)	197 700	135 000
	Raymond Mhlaba Economic Development Agency (RMEDA)	3 681 260	2 573 351
	Total	**9 790 360**	**7 953 046**
40	**OTHER EXPENDITURE**		
	Advertising	263 335	390 335
	Audit Committee Allowances	328 365	325 569
	Audit fees	4 760 033	5 431 109
	Bank Charges	306 218	373 201
	Commissions Paid	851 895	812 385
	Consumables	372 681	194 759
	Entertainment costs	58 957	199 375
	Employee Wellness	566 583	244 221
	Events	313 189	131 871
	Fuel and Oil	3 075 771	3 944 036
	Insurance	1 529 962	1 458 081
	Job creation projects	3 516 787	4 147 594
	Legal fees	1 113 999	4 244 026
	License fees - Vehicles	91 693	273 957
	Maintenance Materials and Small Tools	22 340 611	21 660 827
	Operating Grant Expenditure	3 861 738	6 466 294
	Financial Management Grant (FMG)	1 882 391	5 218 294
	Integrated National Electrification Program (INEP)	1 979 347	-
	Municipal Systems Improvement Grant (MSIG)	-	1 055 000
	Other Projects	-	193 000

		30 JUNE 2020 R	30 JUNE 2019 R
40	**OTHER EXPENDITURE (CONTINUED)**		
	Postage and Courier	82 600	82 468
	Printing & Stationery	540 474	424 624
	Professional & Consultancy Fees	24 313 247	31 502 282
	Protective Clothing	655 569	322 825
	Rental of Equipment	2 294 181	2 251 855
	Refuse Removal	1 945 431	2 431 179
	Refuse Bags	232 778	100 064
	Security Services	302 440	955 339
	Service Charges	1 539 671	5 095 771
	Special Programmes	1 396 870	3 331 653
	Subscriptions and Membership Fees	2 337 238	1 877 420
	Subsistence & Travel	873 041	2 109 453
	Telephone Cost	2 522 878	5 672 945
	Training	692 763	387 694
	Tourism Development	587 696	562 435
	Valuation Costs	1 559 199	4 515 188
	Ward Committees	4 379 020	3 838 989
	General Expenses	3 107 465	2 177 948
	Total	**92 714 376**	**117 937 772**
41	**LOSS ON DISPOSAL OF ASSETS**		
	Property, Plant and Equipment	480 210	29 187
	Investment Property	351 000	4 486
	Total	**831 210**	**33 673**

		30 JUNE 2019 R
42	**PRIOR PERIOD ADJUSTMENTS - ERRORS IN TERMS OF GRAP 3**	
42.1	**VAT RECEIVABLE**	
	Balance Previously Reported	**15 034 552**
	Account for operating expenditure previously not accrued for on 30 June 2019 - Refer to note 42.5	344 351
	Account for capital expenditure previously not accrued for during 2018/2019 - Refer to note 42.5	954 830
	Reverse duplicated accruals (Capital) on 30 June 2019 - Refer to note 42.5	(100 895)
	Restated Balance on 30 June 2019	**16 232 837**

		30 JUNE 2019 R
42	**PRIOR PERIOD ADJUSTMENTS - ERRORS IN TERMS OF GRAP 3 (CONTINUED)**	
42.2	**INVESTMENT PROPERTY**	
	Balance Previously Reported	**43 966 400**
	Account for Investment Properties incorrectly included/excluded on 30 June 2018 - Refer to note 42.7	34 757 663
	Account for fair value adjustments due to properties previously incorrectly included/excluded from register - Refer to note 42.8	1 043 870
	Disposals incorrectly recorded during 2018/19 - Refer to note 42.8	793 900
	Restated Balance on 30 June 2019	**80 561 833**
42.3	**PROPERTY PLANT AND EQUIPMENT**	
	Balance Previously Reported	**637 145 096**
	Correction of overstatement on recognition of new Xerox finance lease asset for 2018/19 - Refer to note 42.6	(318 483)
	Correction on Depreciation of finance lease assets for 2018/19 - Refer to note 42.8	131 666
	Account for movable asset incorrectly excluded from records on 30 June 2018	12 802
	Effect on Other Assets (Cost) - Refer to note 42.7	23 456
	Effect on Other Assets (Accumulated Depreciation on 30 June 2018) - Refer to note 42.7	(7 285)
	Effect on Other Assets (Depreciation 2018/2019) - Refer to note 42.8	(3 368)
	Account for capital expenditure previously not accrued for during 2018/2019 - Refer to note 42.5	6 748 531
	Reverse duplicated accruals (Capital) on 30 June 2019 - Refer to note 42.5	(672 635)
	Operating Expenditure incorrectly capitalised during 2018/19 - Refer to note 42.8	(1 494 229)
	Operating Expenditure incorrectly capitalised up to 30 June 2018 - Refer to note 42.7	(19 044 599)
	Credit note incorrectly not accounted for on 30 June 2018	-
	Effect on WIP Additions during 2018/19	34 783
	Effect on WIP Balance up to 30 June 2018	(34 783)
	Work in Progress incorrectly not capitalised up to 30 June 2018	-
	Effect on WIP	(24 388 556)
	Effect on Buildings	229 024
	Effect on Roads and Stormwater	5 973 297
	Effect on Solid Waste	1 847 090
	Effect on Cemetery	408 773
	Effect on Recreation Grounds	6 429 556
	Effect on Community Halls and Centres	9 500 817

		30 JUNE 2019 R
42	**PRIOR PERIOD ADJUSTMENTS - ERRORS IN TERMS OF GRAP 3 (CONTINUED)**	
	Work in Progress incorrectly not capitalised during 2018/2019	-
	Effect on WIP	(10 864 116)
	Effect on Buildings	939 443
	Effect on Electricity	1 215 719
	Effect on Recreation Grounds	5 282 162
	Effect on Community Halls and Centres	3 426 791
	Account impairment of WIP previously not accounted for up to 30 June 2018 - Refer to note 42.7	(802 718)
	Recognise Electricity Infrastructure previously not recorded and removal of replaced assets on 30 June 2018 - Refer to note 42.7	908 328
	Disposal of Goodwin Park Community Hall previously not recognised - Refer to note 42.7	(937 500)
	Account for land, buildings and community assets incorrectly included/excluded on 30 June 2018 - Refer to note 42.7	4 631 400
	Effect on Land	2 736 300
	Effect on Buildings	(2 754 900)
	Effect on Community Halls and Centres	4 650 000
	Correction of depreciation up to 30 June 2018 as a result of various adjustments made to prior year asset balances (including correction of depreciation rates) - Refer to note 42.7	2 623 028
	Effect on Buildings	447 521
	Effect on Roads and Stormwater	3 109 335
	Effect on Electricity	526 168
	Effect on Cemetery	(68 241)
	Effect on Recreation Grounds	(126 961)
	Effect on Community Halls and Centres	(1 264 793)
	Correction of depreciation during 2018/2019 as a result of various adjustments made to prior year asset balances - Refer to note 42.8	(2 549 145)
	Effect on Buildings	48 136
	Effect on Roads and Stormwater	(1 636 844)
	Effect on Electricity	(123 130)
	Effect on Solid Waste	(61 570)
	Effect on Cemetery	(13 626)
	Effect on Recreation Grounds	(388 977)
	Effect on Community Halls and Centres	(373 135)
	Recognise impairment on Solid Waste Infrastructure previously not recorded up to 30 June 2018 - Refer to note 42.7	(1 723 950)
	Restated Balance on 30 June 2019	**624 657 591**

		30 JUNE 2019 R
42	**PRIOR PERIOD ADJUSTMENTS - ERRORS IN TERMS OF GRAP 3 (CONTINUED)**	
42.4	**CURRENT PORTION OF LONG TERM LIABILITIES**	
	Balance Previously Reported	**2 350 043**
	Correction of allocation between current and non-current portion of finance lease liability - Refer to note 42.6	(122 236)
	Restated Balance on 30 June 2019	**2 227 808**
42.5	**PAYABLES FROM EXCHANGE TRANSACTIONS**	
	Balance Previously Reported	**227 503 790**
	Account for operating expenditure previously not accrued for on 30 June 2019	3 249 299
	Effect on Accumulated Surplus up to 30 June 2018 - Refer to note 42.7	131 386
	Effect on Statement of Financial Performance during 2018/19 - Refer to note 42.8	2 773 562
	Effect on VAT Receivable - Refer to note 42.1	344 351
	Account for capital expenditure previously not accrued for during 2018/2019	7 703 361
	Effect on Property Plant and Equipment - Refer to note 42.3	6 748 531
	Effect on VAT Receivable - Refer to note 42.3	954 830
	Reverse duplicated accruals (Capital) on 30 June 2019	(773 530)
	Effect on Property Plant and Equipment - Refer to note 42.3	(672 635)
	Effect on VAT Receivable - Refer to note 42.1	(100 895)
	Restated Balance on 30 June 2019	**237 682 920**
42.6	**LONG TERM LIABILITIES**	
	Balance Previously Reported	**6 154 311**
	Correction of overstatement on recognition of new Xerox finance lease for 2018/19	(126 455)
	Effect on Leased Assets - Refer to note 42.3	(318 483)
	Effect on Finance Charges - Refer to note 42.8	192 029
	Correction of allocation between current and non-current portion of finance lease liability - Refer to note 42.4	122 236
	Restated Balance on 30 June 2019	**6 150 092**

		30 JUNE 2019 R
42	**PRIOR PERIOD ADJUSTMENTS - ERRORS IN TERMS OF GRAP 3 (CONTINUED)**	
42.7	**ACCUMULATED SURPLUS**	
	Balance Previously Reported	**422 816 183**
	Prior Period Adjustments relating to the 2018/2019 financial year - Refer to note 42.8	(5 042 898)
	Corrections up to 30 June 2018	20 296 436
	Account for movable asset incorrectly excluded from records on 30 June 2018 - Refer to note 42.3	16 170
	Account for operating expenditure previously not accrued for on 30 June 2019 - Refer to note 42.5	(131 386)
	Account for Investment Properties incorrectly included/excluded on 30 June 2018 - Refer to note 42.2	34 757 663
	Operating Expenditure incorrectly capitalised up to 30 June 2018 - Refer to note 42.3	(19 044 599)
	Account impairment of WIP previously not accounted for up to 30 June 2018 - Refer to note 42.3	(802 718)
	Recognise Electricity Infrastructure previously not recorded and removal of replaced assets on 30 June 2018 - Refer to note 42.3	908 328
	Disposal of Goodwin Park Community Hall previously not recognised - Refer to note 42.3	(937 500)
	Account for land, buildings and community assets incorrectly included/excluded on 30 June 2018 - Refer to note 42.3	4 631 400
	Correction of depreciation up to 30 June 2018 as a result of various adjustments made to prior year asset balances - Refer to note 42.3	2 623 028
	Recognise impairment on Solid Waste Infrastructure previously not recorded up to 30 June 2018 - Refer to note 42.3	(1 723 950)
	Restated Balance on 30 June 2019	**438 069 721**
42.8	**STATEMENT OF FINANCIAL PERFORMANCE**	
	Net Surplus previously reported	**8 411 222**
	Correction of overstatement on recognition of new Xerox finance lease asset for 2018/19 - Refer to note 42.6	(192 029)
	Correction on Depreciation of finance lease assets for 2018/19 - Refer to note 42.3	131 666
	Account for movable asset incorrectly excluded from records on 30 June 2018 - Refer to note 42.3	(3 368)
	Account for operating expenditure previously not accrued for on 30 June 2019 (Other Expenditure) - Refer to note 42.5	(2 773 562)
	Account for fair value adjustments due to properties previously incorrectly included/excluded from register - Refer to note 42.2	1 043 870
	Operating Expenditure incorrectly capitalised during 2018/19 - Refer to note 42.3	(1 494 229)
	Correction of depreciation during 2018/2019 as a result of various adjustments made to prior year asset balances - Refer to note 42.3	(2 549 145)
	Disposals incorrectly recorded during 2018/19 - Refer to note 42.2	793 900
	Restated Surplus on 30 June 2019	**3 368 324**

		30 JUNE 2020 R	30 JUNE 2019 R
43	**NET CASH FROM OPERATING ACTIVITIES**		
	Net Surplus/(Deficit) for the year	(20 468 686)	3 368 324
	Adjusted for:		
	Non-Cash Expenditure	144 723 989	98 010 619
	Debt Impairment	107 590 065	62 189 219
	Depreciation and Amortisation	31 498 986	30 371 560
	Impairments	-	496 766
	Finance Charges	4 803 728	4 919 401
	Loss on disposal of PPE	831 210	33 673
	Non-Cash Revenue	(8 015 090)	(12 433 706)
	Actuarial Gains	(4 433 263)	(9 042 106)
	Decrease in Rehabilitation Provision	(47 227)	-
	Fair Value Adjustments	(3 534 600)	(3 391 600)
	Contributions - Provisions and Employee Benefits	16 147 980	10 776 677
	Post Retirement Medical Benefits	1 502 275	2 032 861
	Long Service Awards	786 688	675 131
	Bonuses	6 932 289	6 344 523
	Staff Leave	6 926 729	1 724 162
	Expenditure - Provisions and Employee Benefits	(8 760 996)	(8 312 610)
	Post Retirement Medical Benefits	(652 529)	(670 010)
	Long Service Awards	(327 224)	(561 998)
	Bonuses	(6 619 126)	(6 216 825)
	Staff Leave	(1 162 117)	(863 777)
	Other adjustments	-	7 355
	Rental Income Accrued	-	7 355
	Operating Surplus before changes in working capital	123 627 198	91 416 659
	Movement in working capital	(51 257 977)	(6 253 342)
	Receivables from exchange and non-exchange transactions	(119 403 797)	(66 418 999)
	Payables from exchange transactions	73 503 748	60 858 530
	Unspent Conditional Government Grants	635 038	1 775 341
	VAT Receivable	(5 992 967)	(2 468 214)
	Cash Flow from Operating Activities	**72 369 221**	**85 163 317**

		30 JUNE 2020 R	30 JUNE 2019 R
44	**CASH AND CASH EQUIVALENTS**		
	Cash and Cash Equivalents comprise out of the following:		
	Bank Accounts	16 527 353	10 041 076
	Total	**16 527 353**	**10 041 076**

Refer to note 2 for more details relating to cash and cash equivalents.

45 BUDGET COMPARISONS

45.1 COMPARABLE BASIS

Differences were identified between the disclosure requirements in terms of GRAP and the reporting requirements in terms of National Treasury budget formats

The following items are affected by these classification differences:

Statement of financial position

Consumer Debtors consist out of both Receivables from Exchange Transactions as well as the Rates Receivable.

Other Receivables incorporate all other current receivable balances not specifically provided for in the National Treasury formats.

Trade and Other Payables incorporates Payable from exchange transactions, Unspent grants, Unspent public contributions, Taxes and Operating lease liabilities.

Employee Benefits and Provisions (Current and Non-Current) are included under the provisions line item in the budget statements.

Statement of financial performance

The statement of financial performance is comparable on a line by line basis except for the following items:

The budget statements does not provide for all the different revenue classifications per statement of financial performance. For this reason, all line items not specifically catered for is incorporated under the line item Other Revenue in the budget statement. Other revenue per budget statement consist out of the following line items - Actuarial Gains and Other Income.

45 BUDGET COMPARISONS (CONTINUED)

Depreciation and Amortisation and Impairments are aggregated on the budget statements while it is shown separately on the Statement of Financial Performance

The budget statements does not provide for all the different expenditure classifications per statement of financial performance. For this reason, all line items not specifically catered for is incorporated under the line item Other Expenditure in the budget statement. Other Expenditure per budget statement consist out of the following line items - Other Expenditure, Repairs and Maintenance and Actuarial Losses.

Cash Flow Statement

The Cash Flow Statement is presented on a comparable basis.

45.2 MATERIAL VARIANCES

Statement of financial position - Budget Adjustments

Investment Property	Align balance to audited result of 30 June 2019.
Property, Plant And Equipment	Align balance to audited result of 30 June 2019 also taking into account proposed adjustments in capital program.
Trade and Other Payables	Align trade and other payables to projected outstanding balance on 30 June 2020.
Borrowing (Current and Non-Current)	Align balance to audited result of 30 June 2019.
Provisions and Employee Benefits (Current and Non-Current)	Align balance to audited result of 30 June 2019.
Accumulated Surplus	Align balance to audited result of 30 June 2019.

Statement of financial position - Budget versus Actual

Cash	Variance due to unspent conditional grants as a result of COVID 19 pandemic restrictions.
Consumer Debtors	Impact on recoverability not as significant as expected up to 30 June 2020 during the budget compilation.
Other Debtors	Outstanding VAT receivable did not decrease in line with expectation.
Investments Property	Increase due to recognition of previously unrecorded properties not included in budget.
Property Plant and Equipment	Underspending of Capital budget combined with various corrections not fully incorporated into budget.

45 BUDGET COMPARISONS (CONTINUED)

Trade and Other Payables	Budget significantly understated outstanding trade payables.
Borrowing (Current and Non-Current)	Budget did not account for repayments to be made during the financial year.
Provisions and Employee Benefits (Current)	Significant Increase in leave provision. This is mainly due to increase in number of contract workers permanently absorbed in January 2020 combined with the less leave taken during lockdown period.
Provisions and Employee Benefits (Non-Current)	Significant Actuarial Gains not anticipated during the compilation of the budget.
Accumulated Surplus	Accumulated surplus significantly overstated in budget with reference to prior year results and projected surplus included in the budget.

Statement of financial performance - Budget Adjustments

Government Grants and Subsidies - Operating	Align budget to gazetted allocations.
Debt Impairment	Increase budget allocation to incorporate potential non-payment of customers as a result of the COVID 19 pandemic.
Depreciation & Asset Impairment	Increase budget in line with expected depreciation charge to be incurred
Other Expenditure	Provide for expenditure to be incurred by Eskom on behalf of the municipality.
Government Grants and Subsidies - Capital	Align budget to gazetted allocations.

Statement of financial performance - Budget versus Actual

Property Rates	Impact of the new valuation roll implemented during the current year not fully taken into account during budget compilation.
Service Charges	Budget not aligned to prior year actual results and proposed tariff increases in current year.
Interest earned - outstanding debtors	Non-Payment not fully incorporated into budget, especially relating to increase in outstanding property rates.
Other Revenue	Other revenue aligned to prior year actual results. Actuarial gains not as significant as prior year.
Employee Related Costs	Unused leave on 30 June 2020 significantly higher than expected. This is mainly due to the COVID 19 pandemic where officials did not utilise leave in line with historic trends
Remuneration of Councillors	Budget overstated.

45 BUDGET COMPARISONS (CONTINUED)

Debt Impairment	Debt impairment significantly higher than expected. Impact of COVID and general ability of consumers and ratepayers to settle debt not fully taken into account.
Depreciation & Asset Impairment	Budget not in line with actual prior results
Finance Charges	Significant interest paid to Eskom not budgeted for.
Grants and Subsidies Paid	Budget overstated and not taking into account budget constraints of the municipality.
Government Grants and Subsidies - Capital	Variance partially due to grants not fully spent on 30 June 2020.

Cash Flow Statement - Budget Adjustments

All Adjustments	Refer to comments reasons included for Statement of Financial Performance and Financial Position.

Cash Flow Statement - Budget versus Actual

All Adjustments	Refer to comments reasons included for Statement of Financial Performance and Financial Position.

		30 JUNE 2020 R	30 JUNE 2019 R
46	**UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE**		
46.1	**UNAUTHORISED EXPENDITURE**		
	Unauthorised expenditure consist out of the following:		
	Opening balance	298 276 206	234 108 580
	Unauthorised expenditure current year	-	64 167 625
	Approved by Council	(298 276 206)	-
	Unauthorised expenditure awaiting approval	**-**	**298 276 206**

Unauthorised expenditure only relates to expenditure in excess of approved budget votes. No disciplinary steps or criminal proceedings were instituted as a result of unauthorised expenditure incurred.

46 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (CONTINUED)

	2020 (Actual) R	2020 (Final Budget) R	2020 (Unauthorised) R
Unauthorised expenditure - Operating			
Municipal Council	26 155 562	29 767 384	-
Accounting Officer	26 641 614	41 132 150	-
Budget and Treasury Office	250 031 299	256 061 179	-
Technical Services	155 276 325	160 066 170	-
Community Services	64 992 118	72 609 432	-
Total	**523 096 918**	**559 636 315**	**-**
Unauthorised expenditure - Capital			
Accounting Officer	133 129	140 000	-
Budget and Treasury Office	4 862 106	5 090 000	-
Technical Services	59 165 270	69 967 692	-
Community Services	7 121	20 000	-
Total	**64 167 625**	**75 217 692**	**-**

46.2 FRUITLESS AND WASTEFUL EXPENDITURE

	30 JUNE 2020 R	30 JUNE 2019 R
Fruitless and wasteful expenditure consist out of the following:		
Opening balance	58 256 792	42 235 957
Fruitless and wasteful expenditure incurred	19 375 793	16 020 834
Approved by Council	(58 256 792)	-
Fruitless and wasteful expenditure awaiting approval	**19 375 793**	**58 256 792**
Details of Fruitless and wasteful expenditure incurred :		
Penalties	2 310 108	1 326 770
SARS - PAYE, UIF and SDL	2 310 108	1 326 770
Interest on late payments	17 065 685	14 694 064
SARS - PAYE, UIF and SDL	396 694	83 286
Eskom	15 947 561	14 071 004
Auditor General	721 402	539 422
Other	28	352
Total	**19 375 793**	**16 020 834**

46 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (CONTINUED)

No disciplinary steps or criminal proceedings were instituted as a result of fruitless and wasteful expenditure incurred.

	30 JUNE 2020 R	30 JUNE 2019 R
46.3 IRREGULAR EXPENDITURE		
Irregular expenditure consist out of the following:		
Opening balance	244 673 209	236 583 693
Irregular expenditure incurred	14 874 213	8 089 516
Approved by Council	(244 673 209)	-
Irregular expenditure awaiting approval	**14 874 213**	**244 673 209**
Details of Irregular expenditure incurred :		
Supplier not registered on CSD		
- Von Der Deckon	-	16 545
- Georgiou's Spar	27 760	-
Non-compliance with Supply Chain Regulations - Xerox Eastern Cape (Bidding Process not followed)	175 672	-
Payments made on contracts where the bid adjudication committee was not constituted in accordance to SCM Regulation 29(2)	13 075 122	4 291 672
Non-compliance with Section 7(1) of the Remuneration of Public Office Bearers Act (Upper Limits Exceeded)	1 595 659	1 559 611
Deviations approved by municipality considered to be irregular expenditure	-	2 221 688
Total	**14 874 213**	**8 089 516**

The irregular expenditure will be referred to internal audit and MPAC for further investigation. No recovery, disciplinary steps or criminal proceedings were instituted as a result of irregular expenditure incurred which will be subject the outcome of the investigation. The accumulated irregular balance mainly relates to the balances carried from the two entities prior to the merger. These were previously not condoned by the former councils of the merging entities, however are under investigation by the Raymond Mhlaba Council.

47 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

	30 JUNE 2020	30 JUNE 2019
47.1 MATERIAL LOSSES		
Electricity distribution losses		
- Units purchased (Kwh)	61 527 556	82 930 352
- Units distributed (Kwh)	40 957 614	44 548 698
- Units lost during distribution (Kwh)	20 569 942	38 381 654
- Units lost considered within norm (10%)	6 152 756	8 293 035
- Units lost in excess of norm	14 417 186	30 088 619
- Percentage lost during distribution	23.43%	36.28%
- Rand Value of Loss	13 619 480	24 990 294

	30 JUNE 2020 R	30 JUNE 2019 R
47.2 Salga Contributions [MFMA 125 (1)(b)]		
Opening balance	6 170 259	5 333 884
Expenditure incurred	2 278 075	1 717 465
Payments	(1 200 000)	(881 090)
Outstanding Balance	**7 248 334**	**6 170 259**
47.3 Audit Fees [MFMA 125 (1)(c)]		
Opening balance	5 852 561	3 605 506
Expenditure incurred	6 297 629	6 785 197
Audit Fees	4 760 033	5 431 109
Interest on outstanding audit fees	721 402	539 422
VAT	816 194	814 666
RMEDA Grant	681 260	873 351
National Treasury Rebate	(482 474)	(4 524 980)
Settlement Discount	(123 513)	(886 513)
Payments	(2 208 860)	-
Outstanding Balance	**10 016 602**	**5 852 561**
47.4 VAT [MFMA 125 (1)(c)]		
Opening balance	775 780	5 626 164
Amounts received during the year	(7 629 920)	(17 801 931)
Amounts claimed - current year	9 874 726	12 951 547
Outstanding Balance	**3 020 587**	**775 780**
Vat in suspense due to cash basis of accounting	**19 205 217**	**15 457 057**

VAT is accounted for on the cash basis. All VAT returns have been submitted by the due date throughout the year.

		30 JUNE 2020 R	30 JUNE 2019 R
47	**ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)**		
47.5	**PAYE, SDL and UIF [MFMA 125 (1)(c)]**		
	Opening Balance	4 205 899	3 439 927
	Payments due to SARS	26 385 677	23 875 010
	Payments	(27 303 475)	(23 109 038)
	Outstanding Balance	**3 288 101**	**4 205 899**
47.6	**PENSION AND MEDICAL AID CONTRIBUTIONS [MFMA 125 (1)(c)]**		
	Opening Balance	1 339 196	2 246 839
	Payments due to pension fund and medical aid	32 884 702	28 974 080
	Payments	(34 223 899)	(29 881 723)
	Outstanding Balance	**-**	**1 339 196**
47.5	**COUNCILLORS ARREAR ACCOUNTS [MFMA 124 (1)(b)]**		
	The following Councillors had arrear account outstanding for more than 90 days at year end:		
	Councillor SA Nivi	6 494	4 885
	Councillor E Bantam	7 523	5 587
	Councillor ML Ndongeni	1 849	1 715
	Councillor XC Badi	1 540	2 502
	Councillor B Ketelo	44	435
	Councillor TP Njobe	-	-
	Councillor CA Auld	12 476	6 360
	Councillor BE Mfondini	11 018	8 968
	Councillor N Blake	7 157	5 178
	Councillor LD Penisi	1 614	1 532
	Councillor LL Bruintjies	-	-
	Councillor S Mavuso	9 200	7 067
	Outstanding Balance	**58 914**	**44 228**

		30 JUNE 2020 R	30 JUNE 2019 R
47	**ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)**		

47.7 QUOTATIONS AWARDED - DEVIATIONS FROM SCM

Approved deviations from Supply Chain Management Regulations were identified on the following categories:

Deviations from the Supply Chain Management Regulations per Directorate:

Municipal Council	-	17 020
Accounting Officer	3 880 610	54 786
Budget and Treasury Office	47 014	29 851
Corporate Services	551 006	1 568 168
Technical Services	3 144 655	613 367
Community Services	484 311	114 337
Total	**8 107 596**	**2 397 529**

The reasons for the deviations can be summarised as follows:

	Emergency R	Impractical R	Sole Supplier R
Municipal Council	-	-	-
Accounting Officer	3 742 021	-	138 589
Budget and Treasury Office	-	39 000	8 014
Corporate Services	49 388	199 318	302 300
Technical Services	2 992 133	26 400	126 122
Community Services	454 863	-	29 448
Total	**7 238 405**	**264 718**	**604 473**

Deviations from the Supply Chain Management Regulations per Supplier:

	Emergency R	Impractical R	Sole Supplier R
Alfred Myburg Construction	149 000	-	-
Barloworld Equipment	-	-	31 473
Biztec	-	41 276	-
Cangocube Wellness Enterprise	-	-	14 200
Cashbuild	9 649	-	-
Chemiblend Distributors	49 397	-	-
Colas South Africa	-	-	89 419
CTS Development	662 098	-	-
Datnis Nissan	-	-	26 264

47 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)

	Emergency R	Impractical R	Sole Supplier R
DK Pringle Earthworks	11 081	-	-
Duduzayo Investment	682 194	-	-
Edabini Supplier cc	39 000	-	-
Esonam Printers	-	39 000	-
Eyabantu Professional Services	13 775	-	-
H. Solutions	29 782	-	-
High Voltage Technology	132 264	-	-
Icebolethu Construction and projects	169 180	-	-
Idikelethu News	-	-	10 050
Indwe Nathi Civils	1 315 000	-	-
Kwanda Renaissance	2 998 526	-	-
Menzotouch	-	4 868	-
Meyers Motors	-	-	12 275
Meyers Motors	-	-	16 142
Mindmuzik Media	-	-	6 824
Mzala Supply and Construction	-	26 400	-
Nku N Co Investments (PTY) LTD	-	-	9 450
Nomathemba Electrical Contractor	74 566	-	-
Pegasus Sky Trading (PTY) LTD	36 200	-	-
Qha Concepts	32 000	-	-
Ronnie Motors East London	-	-	114 216
Seasons 2 Trading Pty Ltd	179 600	-	-
Sitha Events (PTY) LTD	36 000	-	-
Skeelo Investments	441 200	-	-
SSK Cleaning Services & General Trading	96 200	-	-
T AND N Contractors	28 341	-	-
Tanci General Dealer	53 351	-	-
TFM Manufacturing (PTY) LTD	-	153 174	-
Tiso Blackstar Group	-	-	243 304
TRU FM (SABC)	-	-	30 857
Total	**7 238 405**	**264 718**	**604 473**

47.8 OTHER NON-COMPLIANCE [MFMA 125(2)(e)]

The municipality did not comply with section 65 (2) (e) of the MFMA. All reasonable steps to ensure, that all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure, was not taken.

47 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)

47.9 TRADING WITH EMPLOYEES IN SERVICE OF THE STATE

During the period under review, the municipality engaged with the following employees in service of the state (SCM 44):

Name (State institution)	Supplier name	30 JUNE 2020 R	30 JUNE 2019 R
None		-	-

During the period under review, the municipality engaged with the following entities where spouses of suppliers are in service of the state (SCM 45):

Name	State institution (Nature of Relationship)		
NC. Melitafa	Rely IT Solution (Husband)	-	26 399
N. Ndunyana	Mizana Ndunyana Trading (PTY) LTD (Sister)	-	29 043
N. Tom	SJRNGT (PTY) LTD (Mother)	-	21 950
N. Tom	Siduli & Jama (Aunt)	78 040	222 885
A. Boqwana	Tyume Blocks & Retail CC (Brother)	1 567 747	5 220 785
G. Booi	Falcon General CC (Owner)	80 404	-
Total		**1 726 191**	**5 521 062**

48 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

Approved and contracted for:	**36 740 770**	**38 964 689**
This expenditure will be financed from:		
Own Revenue	-	-
Municipal Infrastructure Grant	25 846 295	23 613 819
Integrated National Electrification Programme (INEP)	6 773 684	6 772 600
Office of the Premier (OTP)	3 723 351	8 578 270
Energy Efficiency and Demand-side (EEDM)	397 440	-
Total	**36 740 770**	**38 964 689**

49 FINANCIAL RISK MANAGEMENT

The municipality is potentially exposed to the following risks:

49.1 Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The following financial assets are exposed to credit risk:

	30 JUNE 2020 R	30 JUNE 2019 R
Cash and Cash Equivalents	16 527 353	10 041 076
Receivables from exchange transactions	22 083 958	18 418 759
Total	**38 611 311**	**28 459 835**

Cash and Cash Equivalents

Deposits of the municipality is only held at reputable banks that are listed on the JSE. The credit quality is regularly monitored through required SENS releases by the various banks. The risk pertaining to these deposits are considered to be very low.

There are no restrictions on the cash deposits held and no cash were pledged as security. No collateral is held for any cash and cash equivalents.

Receivables from Exchange Transactions

Receivables comprise of a large number of users, dispersed across different sectors and geographical areas. On-going credit evaluations are performed on the financial condition of these receivables. Credit risk pertaining to receivables are considered to be moderate due the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Receivables are disclosed after taking into account the provision for impairment raised against each class of receivable.

Receivables are payable within 30 days. All receivables outstanding for more than 30 days are considered to be passed due.

49 FINANCIAL RISK MANAGEMENT (CONTINUED)

Refer to note 3 for more information regarding the provision for impairment raised against each service type as well as receivables considered to be passed due.

No receivables were pledged as security for liabilities and no collateral is held from any consumers (other than consumer deposits).

49.2 Currency risk (Market Risk)

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in

The financial instruments of the municipality is not directly exposed to any currency risk.

49.3 Interest rate risk (Market Risk)

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

	30 JUNE 2020 R	30 JUNE 2019 R
The following balances are exposed to interest rate fluctuations:		
Cash and Cash Equivalents (Excluding Cash on Hand)	16 527 353	10 041 076
Long-term Liabilities (Including Current Portion)	(6 150 092)	(8 377 899)
Net balance exposed	**10 377 261**	**1 663 177**

Provisions amounting to R 42 738 565 were removed from the disclosure as it does not meet the definition of a financial instrument. The effect were also incorporated in the disclosure below.

Potential effect of changes in interest rates on surplus and deficit for the year:

0.5% (0.5% - 2019) increase in interest rates	51 886	8 316
0.5% (1% - 2019) decrease in interest rates	(51 886)	(16 632)

A slowdown in Local and International economic activity (due to the COVID 19 pandemic) have prompted the Reserve Bank to cut interest rates during the financial year to support the economy. Management does not foresee significant interest rate movements the next 12 months.

49 FINANCIAL RISK MANAGEMENT (CONTINUED)

49.4 Liquidity risk

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk is mitigated by approving cash funded budgets at all times to ensure commitments can be settled once due over the long term. The municipality also monitors its cash balances on a daily basis to ensure cash resources are available to settle short term obligations.

The following balances are exposed to liquidity risk:

30 JUNE 2020		**PAYABLE**	
	Within 1 Year	**Two to five years**	**After five years**
Finance Lease Liabilities	3 091 787	4 839 172	-
Payables from exchange transactions	260 667 045	-	-
Total	**263 758 832**	**4 839 172**	**-**

30 JUNE 2019		**PAYABLE**	
	Within 1 Year	**Two to five years**	**After five years**
Finance Lease Liabilities	4 352 891	7 930 959	-
Payables from exchange transactions	216 645 995	-	-
Total	**220 998 886**	**7 930 959**	**-**

49.5 Other price risk (Market Risk)

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The municipality recognised the following financial instruments (All balances are recognised at amortised cost.)

		30 JUNE 2020 R	30 JUNE 2019 R
49	**FINANCIAL RISK MANAGEMENT (CONTINUED)**		
	Financial Assets		
	Cash and Cash Equivalents	16 527 353	10 041 076
	Receivables from exchange transactions	22 083 958	18 418 759
	Total	**38 611 311**	**28 459 835**
	Financial Liabilities		
	Current Portion of Long-term Liabilities	1 566 878	2 227 808
	Payables from exchange transactions	260 667 045	216 645 995
	Long-term Liabilities	4 583 214	6 150 092
	Total	**266 817 137**	**225 023 894**
50	**STATUTORY RECEIVABLES**		
	In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:		
	Receivables from Non-Exchange Transactions		
	Rates	302 391 111	225 395 117
	VAT Receivable	22 225 804	16 232 837
	Total	**324 616 915**	**241 627 954**
	Refer to note 4 for more detail relating to the Government Grants and Rates Receivables, including any provision for impairment raised against the gross amounts as disclosed above		
51	**EVENTS AFTER REPORTING DATE**		
	#REF!		
52	**IN-KIND DONATIONS AND ASSISTANCE**		
	None		
53	**PRIVATE PUBLIC PARTNERSHIPS (PPP's)**		
	The municipality did not enter into any PPP's in the current and prior year.		

		30 JUNE 2020 R	30 JUNE 2019 R
54	**CONTINGENT LIABILITIES**		
	The municipality were exposed to the following contingent liabilities at year end:		
	Claim 1		
	Prince Queen Marry Trading Enterprise vs Nkonkobe Municipality -The plaintiff instituted legal action against the municipality for money in the sum of R 118 222, which is allegedly due to it in terms of a contract with the municipality. The municipality is appealing the court's judgement against the municipality.	300 000	300 000
	Claim 2		
	A claim was lodged by the former Municipal Manager of Nxuba Local Municipality, SC Gaca, for payment of alleged severance package after his resignation. The matter is still to be enrolled in the High Court.	500 000	500 000
	Claim 3		
	Summons issued against the Municipality in respect of services rendered and loss of income arising out of tender awarded to the Plaintiff. The matter is still pending in the High Court.	731 739	731 739
	Claim 4		
	The Amathole Forestry Company (Pty) Ltd took the municipality to court as there were insufficient fire resources (In particular a fire truck) which posed a high fire risk to the forestry. The claimant wants to recover costs from the municipality relating to legal costs incurred in the matter. The claim will be opposed.	3 000 000	3 000 000
	Other Contingent Liabilities		
	The municipality have not yet renewed the licence relating to the Adelaide landfill site and could be liable for a penalty in terms of section 24G of the Environmental Conservation Act.	-	-

		30 JUNE 2020 R	30 JUNE 2019 R
54	**CONTINGENT LIABILITIES (CONTINUED)**		
	Municipality received a confirmation from Amatole District Municipality for outstanding water and sanitation charges amounting to R15 304 092 as on 30 June 2019. During the current year, the confirmation received from Amatole District Municipality indicated an outstanding balance of R28 722 782 as on 30 June 2020. The Municipality is disputing this balance as it seems that it may include water and sanitation charges relating to RDP Houses for which the Municipality is not liable for. The Municipality is still in discussion with Amatole District Municipality and a contingent liability is raised in this regard.	13 418 690	-
	Total	**17 950 429**	**4 531 739**

55 CONTINGENT ASSETS

The municipality identified the following contingent assets at year-end:

The municipality successfully obtained a interdict order to restrain its workers from engaging in an unprotected SAMWU strike in December 2015. The attorneys confirmed that the court has issued the final order and the attorneys are in the process of recovering the cost. The inflow of funds is now considered to be possible	100 000	100 000

56 RELATED PARTIES

Related parties are defined in note 1.34

All rates, service charges and other charges in respect of related parties are in accordance with approved tariffs that were advertised to the public. No impairment charge have been recognised in respect of amounts owed by related parties.

There are no loans outstanding to any related party. Since 1 July 2004 loans to councillors and senior management employees are not permitted.

Remuneration of related parties are disclosed in notes 31 and 32

The municipality owns a 100% stake in the Raymond Mhlaba Economic Development Agency. The Municipality provides grants to the agency to assist with the operations of the entity as well as to settle the audit fees payable to the Auditor General.

Refer to note 39 for grants paid during the period under review

57 FINANCIAL SUSTAINABILITY

The indicators or conditions that may, individually or collectively, cast significant doubt about the going concern assumption are as follows:

Financial Indicators

The current liabilities at year end exceeded the current assets and this could result in the municipality being unable to settle all of its liabilities.

Management will continue to put measures in place to ensure that municipal current assets are in excess of the current liabilities. Expenditure patterns and budget control measures will be enforced to reduce the expenditure that lead to an increase in current liabilities.

The municipality is experiencing very low payment percentages from consumers which is very indicative of the economic environment in the municipal area.

The municipality experienced material losses in electricity usage to the value of R 13 619 480 (2019 - R 24 990 294) for the year ending 30 June 2020. This represents a distribution loss of 23.43 % (2019 - 36.28 %).

Other Indicators

The municipality has incurred unauthorised, irregular and fruitless & wasteful expenditure as shown in note 46 above.

There are material Contingent Liabilities on each respective reporting period. Refer to note 54 above.

Impact of COVID 19

Raymond Mhlaba Local Municipality is in no way immune to the harsh economic realities as a result of the COVID-19 pandemic. As far possible, the Municipality factored in the effect the current economic environment, especially on the recovery rate of receivables.

Municipal Disaster Relief Grant amounting to R745 000 was received during 2019/20 which was effectively spent in the fight against the COVID-19 pandemic.

Assessment

The definition of a going concern is that there is no reason to believe that an institution will have to close down or be liquidated within 12 months after the reporting date. The financial statements for this municipality have been prepared, as indicated in the accounting policy, on a going concern assumption as allocations of equitable share have been promulgated in the Division of Revenue Act for the three financial years following after the reporting date.

The financial results however may indicate that the going concern assumption of this municipality may be in serious doubt. The amounts promulgated in the DORA have a serious impact on the level of services that this municipality can render and it may well raise doubt about the future financial sustainability of this municipality and may cause serious health and other risks regarding service delivery to the communities within the jurisdiction of this municipality.

RAYMOND MHLABA LOCAL MUNICIPALITY

APPENDIX A (UNAUDITED)

SCHEDULE OF EXTERNAL LOANS FOR THE YEAR ENDING 30 JUNE 2020

INSTITUTION	RATE	REDEMPTION DATE	OPENING BALANCE 1 JULY 2019 R	RECEIVED DURING YEAR R	REDEEMED DURING YEAR R	CLOSING BALANCE 30 JUNE 2020 R
FINANCE LEASE LIABILITIES						
Aloe Office - 17 Laptops	30.65%	31/Mar/20	52 377	-	(52 377)	-
Aloe Office - 65 Xerox Machines	16.54%	31/Aug/20	1 394 248	-	(1 162 984)	231 265
Absa Vehicle Management Solutions - 14 Vehicles	28.32%	28/Aug/21	6 931 274	-	(1 012 447)	5 918 827
Total Finance Lease Liabilities			**8 377 900**	**-**	**(2 227 808)**	**6 150 092**
Total Long-Term Liabilities			**8 377 900**	**-**	**(2 227 808)**	**6 150 092**

RAYMOND MHLABA LOCAL MUNICIPALITY

APPENDIX B (UNAUDITED)

DISCLOSURE OF GRANTS AND SUBSIDIES FOR THE YEAR ENDING 30 JUNE 2020

	OPENING BALANCE	GRANTS RECEIVED	TRANSFERRED TO REVENUE (OPERATING)	TRANSFERRED TO REVENUE (CAPITAL)	TRANSFERRED TO RECEIVABLES	CLOSING BALANCE
	R	R	R	R	R	R
NATIONAL GOVERNMENT						
Equitable Share	-	174 140 000	(174 140 000)	-	-	-
Municipal Finance Management Grant	-	3 000 000	(3 000 000)	-	-	-
Municipal Infrastructure Grant	-	39 232 000	(3 071 053)	(40 360 808)	4 199 861	-
Expanded Public Works Program	-	2 766 000	(2 766 000)	-	-	-
Integrated National Electrification Programme (INEP)	1 923	12 000 000	(5 914 098)	(5 551 633)	-	536 192
Energy Efficiency and Demand-side (EEDM)	-	4 000 000	-	(4 000 000)	-	-
Municipal Disaster Relief Grant	-	745 000	(456 711)	-	-	288 289
LG-SETA	-	77 828	(77 828)	-	-	-
National Treasury Audit Fees Grant	-	482 474	(482 474)	-	-	-
Total National Government Grants	**1 923**	**236 443 302**	**(189 908 164)**	**(49 912 441)**	**4 199 861**	**824 481**
PROVINCIAL GOVERNMENT						
Library Grant	-	1 650 000	(1 650 000)	-	-	-
OTP Alice Revitalisation	1 696 419	17 858 095	-	(19 554 352)	-	162
Housing Disaster Grant	-	3 008 000	(1 499 263)	-	-	1 508 737
DDEAT - Mining Projects	77 000	-	-	-	-	77 000
ECDLGTA - Greening and Beautification	707 664	-	-	-	-	707 664
LSDF - Middledrift Spatial Development	147 392	-	-	-	-	147 392
Quarry Mining Grant	102 563	-	-	-	-	102 563
Total Provincial Government Grants	**2 731 038**	**22 516 095**	**(3 149 263)**	**(19 554 352)**	**-**	**2 543 519**
ALL SPHERES GOVERNMENT	**2 732 961**	**258 959 398**	**(193 057 427)**	**(69 466 793)**	**4 199 861**	**3 368 000**